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Another Job for the Big Three

The daily press says that Stalin, Churchill and Roosevelt are about to have another meeting. One hopes the reports are true and that this time the unfinished business of the Moscow and Teheran conferences will be really settled. There has been a flood of talk in the press during the last week or so regarding the lack of any visible American foreign policy, as we point out elsewhere in this issue. Some of this talk has come from sources hostile to the Roosevelt administration and can be discounted for that reason. Some of it, however, comes from supporters of the President who are genuinely alarmed over the way things are going. Russia's recognition of Badoglio is one example. Another is Mr. Roosevelt's continued refusal to give full authority to the French Committee of National Liberation, for reasons which puzzle the British, who presumably know as much about de Gaulle as he does. Another pending problem is the attitude toward Franco, for whom we exhibit persistent friendship and Russia, persistent hostility. Another is the Russo-Polish boundary dispute. Another is the three sets of different armistice terms for Germany drawn up by Russia, Britain and America, terms which, according to Mr. Churchill, are not and need not be based on the Atlantic Charter. Another is what looks like an unseemly scramble between Britain and the United States for the oil of the Near East. Another is the equally unseemly British-American tug of war for advantage in postwar foreign trade, aviation and merchant shipping. The sooner the heads of the three great powers go to work on these problems, the better.

Russia Advances

The newspapers, for what reason we don't know, continually exaggerate the size and importance of Russia's victories on her western front; if you were relying on the headlines and news articles a few months ago, you would find it hard to understand why the war has lasted until now. For once, however, the Russian achievement on the southern front is nearly as great as the headlines report. The Russians by March 20 were well into Bessarabia, which was former Rumanian territory, and there seemed little to stop them before they entered Rumania itself. At the other end of the battle line, Finland had seemingly lost her last chance to get out of the war on Russia's remarkably moderate terms; her parliament voted them down, only to be told when it was too late that Baron Mannerheim himself had said Finland's eastern frontier is indefensible.

From London came reports that President Benes of Czecho-Slovakia had transmitted to the Rumanians a peace offer from Moscow. The Russians would take permanently Bessarabia and part of Bukovina, but would give Rumania in exchange northern Transylvania, now held by Hungary. If these terms are genuine, they must be a source of great embarrassment to London and Washington, not only because they represent unilateral action but because they repudiate unconditional surrender.

Moscow Recognizes Badoglio

Once again a sudden action by the Russian government has left its Communist sympathizers all over the world gasping for breath. While they were in

CONTENTS

The Week 395
Editorial
What Are We Fighting For? 398
General Articles
McKellar on the Rampage . J. Lacey Reynolds 400
The Invisible Congress: II . . Helen Fuller 402
Down Under in Harlem . Langston Hughes 404
Washington Notes . . . . . T. R. B. 406
Flesh, Fish, Fowl . . . . . Stark Young 407
Hate for Sale . . . . . Manny Farber 407
The Bandwagon 410
Correspondence 410
Books in Review
Marginalia . . . . . Malcolm Cowley 412
The Way to Abundance . Henry A. Wallace 413
The Best People's War, etc. . George Mayberry 416
The Teaching of History . . Willard Thorp 418
The Negro in the United States . . . . . Richard A. Waterman 421
A Reader's List 422

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the midst of denunciations of the Badoglio regime in Italy, Moscow announced that it was extending full diplomatic recognition, which is more than either Great Britain or the United States has done. In Italy, the communists found the pill too big to swallow; elsewhere the usual party acrobatics ensued. The comrades never seem to learn. The action is of course revocable at a moment's notice; but for the present it has put Badoglio much more firmly in the saddle; and the lack of concerted action (the American State Department didn't even know what was happening) has proved again that the three great powers are not acting with the close coöperation that is desirable.

Various explanations of Moscow's action are being offered, among them the following:

1. Russia always and instantly recognizes any government that actually has power. (This one, by Dorothy Thompson, fails to explain why Moscow waited about three-quarters of a year.)

2. Russia is prodding the Anglo-Americans about a Second Front.

3. Russia is sincerely trying to be friendly to Mr. Churchill, who said in a recent speech that the Allies intend to keep Badoglio in power at least until Rome has been taken. Perhaps Stalin thinks that event is a long way off.

4. Russia was registering the fact that she intends to be consulted in regard to all aspects of postwar adjustments in western Europe.

Not being mind readers, we don't know which of these explanations is correct. Perhaps it was a combination of them. We do know that Russian foreign policy is flexible, opportunistic and realistic. It cares nothing for Western "capitalistic" democratic principles, and anybody who keeps on thinking that it does is due to have his heart broken, not once but incessantly. This doesn't mean, however, that we can't fight the war to a successful conclusion and make a durable peace, with Russian coöperation. But in order to get that coöperation we shall have to (a) make up our minds what we really want, (b) make up our minds what price we are prepared to pay for it and (c) give some sort of effective guarantee that we won't change our foreign policy every ten minutes.

Playing with Vichy?

Harold Callender of The New York Times, writing from Algiers, says that people there are deeply pessimistic about the future of the French Committee of National Liberation, and General de Gaulle in particular. It is reported that the American government is trying to bypass de Gaulle and use in his place Georges Bonnet, former Foreign Minister, and Anatole de Monzie, former Minister of Transport. Charges are widely circulated that the United States is also planning to use some of the Vichy personnel in governing France after she is liberated. (In Washington it is thought that Robert Murphy of the State Department and Admiral Leahy would be sympathetic to such a plan.) Emmanuel d'Astier de la Vigerie, Commissioner for the Interior for Vichy, recently made a public statement that "Vichy officials hope for the support of the Americans and Canadians after France has been liberated."

We cannot believe that the American government intends to push its futile doctrine of expediency, which has already proved a failure, to such lengths as these. We trust our government will repudiate the report at once and in decisive terms. If we will work with Vichy in France, why not with Quisling in Norway? Among other undesirable consequences, such action on our part, if it came before the national election, could easily mean a Republican victory.

The Republicans' New Leadership

The death of Senate Minority Leader Charles L. McNary has forced Senate Republicans to show their hand, and the Old Guard isolationists came out on top in the showdown. Instead of naming a new minority leader, the Republicans voted to reëstablish the steering committee which they had dispensed with during their New Deal decline, and selected perhaps the leading member of their conservative wing, Sen. Robert A. Taft of Ohio, as chairman.

Sen. Arthur H. Vandenberg, a member of the Taft wing, and Sen. Wallace H. White were selected for posts which make them in effect assistant leaders.

The Senators selected to serve under Taft on the new steering committee are significant choices: "Curly" Brooks of Illinois, Danaher of Connecticut, Bushfield of South Dakota, Millikin of Colorado and Bridges of New Hampshire. Senator Bridges is the only member of the committee who is not generally considered to hold isolationist views. Sincere internationalists like Austin of Vermont were ignored in the new set-up.

Even the most ardent of the honest Republicans, this week are having a hard time figuring out how such leadership could produce a sound postwar settlement if the Republican Party were to come to power next November.

The Fight for Price Control

Republican leaders in the House and Senate and the pressure groups that have opposed price control from the beginning are mobilizing their forces for a new attack against extending the present act when it expires at the end of June. Elaborate plans are being laid by representatives of the food industry, led by Clarence Francis and his Food Industry War Committee and congressmen like Wolcott of Michigan and Jenkins of Ohio, for introducing crippling amendments to the act, both in committee and on the floors of both Houses. They would forbid food subsidies, again re-

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define "parity" upwards, and generally hamstring the enforcement of even the present minimum program.

Price Administrator Chester Bowles is well aware of the attack being readied against him and the OPA, and he is making certain preliminary preparations by way of defense. His statisticians have made public some very impressive figures showing what would have happened to our economy without benefit of the OPA. They estimate that we would have spent $22,000,000,000 more for civilian goods and services without price control and $67,000,000,000 more for war.

But the general public, which realizes the truth of Bowles's statements, has not spent the same amount of time, energy and money preparing to defend price control that its enemies have spent preparing to do away with it. The Congressional Committee for the Protection of Consumers, however, is now mobilizing labor, farm, church and consumer groups for the battle. They are taking the offensive to demand not only extension of the act, but provision of additional funds for enforcement, restoration of grade-labeling and other price-control necessities lost last year.

Dr. Lovett Is Forced Out

Robert Morss Lovett has at last resigned his post in the Virgin Islands. He did so at the request of Secretary Ickes, his superior, and for the reason that his continued presence, in view of the hostility of Congress, endangered all appropriations for the Islands. Dr. Lovett has a case pending in the Court of Claims to test the constitutionality of Congress' act in removing him from office. Competent experts in constitutional law believe Dr. Lovett will be sustained by the courts.

We trust our readers are sufficiently familiar with this case not to need a detailed restatement of the facts. Dr. Lovett has been hounded from office by a small group of witch-hunters in Congress, headed by Representative Dies. They falsely charged him with being a Communist; even if the charge were true, it would not identify him as a member of "a subversive organization," now that the Communist Party has come out for free enterprise, oil imperialism and Thomas W. Lamont. In future years, historians will look back on the persecution of Dr. Lovett as being on all fours with the alien and sedition laws of 1798—a blot on our history of which all good Americans should be ashamed.

The AFL Says No

The International Labor Office, one of the few organizations affiliated with the League of Nations that is still active, holds occasional conferences to which all member governments are invited. Each government can send two delegates, plus one representative of employers and one of workers. Since the AFL was by far the most important American union organization when the League came into existence, it was designated as the body to send the trade-union representative. Independent expert testimony says the CIO is now fully as important as the AFL.

At some meetings of the International Labor Office, the problem has been solved by having President Roosevelt designate a CIO man as an unofficial American delegate; but President Philip Murray of the CIO is no longer willing to accept this inferior and unjust status. President Roosevelt therefore asked the AFL to consent to two delegates, one from each body, with one-half vote each. This suggestion the AFL has now curtly rejected. We think the AFL is wrong in principle and stupid in tactics. It gives the whole country an impression of acting the dog in the manger, selfish, unjust and shortsighted. Whoever made this decision (it was enunciated by President William Green), we hope more statesmanlike counsel will be found in AFL ranks, and will be brought to bear.

Anti-Semitism in Wisconsin

Anti-Semitism continues in the United States, but there are at least certain localities where the people are in no mood to permit it to flourish openly. In Watertown, Wisconsin, a few weeks ago, one Arthur Friede sought a state charter for a Gentile League. As soon as this news was made public, Watertown, all Wisconsin, and even neighboring states, rose up in wrath. A Wisconsin association of ministers passed a resolution of protest. Newspaper editorial writers and radio columnists denounced the activity—an exception being The Chicago Tribune, which showed practically no interest in the affair from first to last. Somebody turned

Stan MacGovern in The New York Post

Pull Out That Weed

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up the fact that Friede had frequently been in jail on charges greatly to his discredit. The Gentile League's first mass meeting consisted of just five anti-Semites and nine reporters. Gov. Walter Goodland of Wisconsin ordered the books of the League subpoenaed for investigation; it turned out to have 36 members and 14 sympathizers. The press promptly printed all their names and addresses. In the withering fire of all this publicity, the League curled up and died. No doubt there will be others like it; just the other day we heard of a Gentile Coöperative Association in Chicago, run by one Eugene Flitcraft. But it will be a long time before any anti-Semite will again dare avow himself publicly in Watertown.

In Justice to Judge McLaughlin

In The New Republic of September 14, 1942, we published an article under the title "Enemies at Home," dealing with the activities of Mr. Harold J. McLaughlin, a judge of the Municipal Court in Brooklyn, New York City. We said Judge McLaughlin was "an incipient fascist" who had made "an unscrupulous use of the racial issue."

The information on which this article was based came from sources we had previously found reliable, and the article was published in good faith and without any personal animus.

Since publishing the article we have made a further careful investigation, and we find that the charges against Judge McLaughlin are unjustified. We hereby withdraw them and express our regret to him for any inconvenience he may have been caused.

The following join with the publishers of The New Republic in making the above retraction: Steinberg Press, Inc., Bruce Bliven, Thomas Sancton, Malcolm Cowley, George Soule, Stark Young, Emanuel Elston and Ruth B. Lipper.

Men in Washington: I

Elbert D. Thomas, senior Senator from Utah, came to Washington with the New Deal and has been as closely connected with it in spirit and performance as any other member of Congress. At the present moment, his unusual background is making him one of the most effective fighters for full American participation in world organization after the war.

Don't tell the NAM, but some of our best congressmen are former professors. Senator Thomas was a professor of Political Science at Utah before he was elected to the Senate in 1932, and remains an acute student of constitutional history and a devout follower of Thomas Jefferson even in politics. He was brought up in the Mormon Church and spent in Japan the missionary years which young Mormons traditionally devote to the furtherance of their religion. He was among those who saw this war a long way off, did his best to ready us for it and now is in the forefront of those seeking bi-partisan agreement to the basic points of a sound international policy. He has remained a close student of Japanese affairs through the years and serves the State Department as confidential adviser on Far Eastern matters, in addition to making monthly short-wave broadcasts in Japanese for the OWI.

(This is the first of a series of brief vignettes of men and women in Washington.)

What Are We Fighting For?

IT IS THE PARADOX of this war that as our armed strength approaches its climax and the bitterest part of the struggle is about to begin, people are feeling more and more doubt about the fruits of the necessary victory. It comes in letters from soldiers at the front, from reports by correspondents about what they are thinking. They don't know why they are fighting, except to get it over with and come home. And they have grave doubts about the kind of home they will find. It is seen in the troubles and disillusionments of our allies under German occupation. It appears in the endless pettifogging of Congress and the aimlessness of American politics. British labor feels it; questioners in the House of Commons express it. There is even doubt that the conferences of Moscow and Teheran have brought the chief Allies much closer together on anything except immediate strategy.

This mood of foreboding has both positive and negative sources. The positive causes arise from acts of our leadership. It is obvious that the American government is playing power politics both at home and abroad. The President disregards most of the supporters who have three times elected him triumphantly to office, because he is afraid of the power of his one-time domestic enemies, who might, if they were not conciliated, sabotage the fighting of the war. Abroad, his representatives consort with the most shady characters, regardless of principle, if only military expediency can be said to dictate the choice. Democratic movements are rebuffed again and again; indeed, our government acts as if it believed there were no reality or power in the peoples of the world.

As victory approaches, it becomes ever clearer that the government of Britain is the same old Tory government, still bent on imperial domain and strongly influenced by industrial combinations and world cartels. China is a weaker partner than she should be, because Chiang Kai-shek seems to be more bent on fighting the communists than the Japanese. Soviet Russia is playing a lone diplomatic hand, concerned only with her own security in the future. She has a right to be so concerned, but obviously the world cannot rely on the power politics of Moscow for active interest in a revival of democracy and progressive achievements in a non-communist world. If we needed any reminder of

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that, the recognition of the Badoglio government in Italy was a sharp one.

The negative causes of the failure of enthusiasm for the future arise from the lack of any bold expressions of policy, whether international or domestic. Soldiers like to feel they are risking their lives for a better world for their families or children. They do not feel it. Nobody in authority has given them any real cause to do so. It is true that any alternative is better than conquest by Hitler or the Japanese. It is true that the totalitarian challenge to humanity had to be turned back. But motives such as these are strongest when defeat still seems possible, perhaps imminent. As victory approaches, they fade. We are no longer quite so literally defending our homes from the possible invader. We are approaching his home. What have we to offer to distinguish ourselves from him? The prewar status quo is of course infinitely preferable to conquest by the enemy. But it is not very inspiring as a goal of the utmost sacrifice, once the danger is by way of being blotted out.

Woodrow Wilson was much better at arousing the aspirations of the people of the world than Franklin D. Roosevelt has been, since the start of this war. It is said that Mr. Roosevelt has been very conscious of Wilson's failure, and has set out to avoid his mistakes. It is true that Wilson misled people into expecting a new heaven and a new earth, which he did not know how to bring about, and so prepared the ground for a great disillusionment and much deadly cynicism. It is better to promise less and achieve more. But it is possible to go too far in the other direction. The fault of Wilson lay not in the hopes he aroused and the following he built up, but in his lack of ability to achieve anything like them in reality. It would be just as great a mistake to leave people to think that there is nothing better to hope for in the future than they have experienced in the past.

Perhaps the reason for failure to follow up the Atlantic Charter by concrete peace aims has been Mr. Roosevelt's conviction that everything else must wait while the war is being fought; it will be time enough to talk about the new world when victory is won. People can unite on defeating a common enemy who could not unite on anything else. Winning the battle will take all the energy and attention we have; there is nothing left over for anything beyond. These arguments are attractive, but fallacious. For a dozen reasons, continuing to act on them would be a tragic error.

For one thing, nothing will come out of the war for which the foundations are not laid while the war is being fought. For another, the way to unite people is not to avoid any issue that might be controversial, but to give them such a strong lead that they have something to unite about. If either the domestic or the international scene is an example of unifying leadership at present, then the Tower of Babel was an example of complete harmony. Again, one way to help win the war, and one of the most powerful ways, is to give people a conviction that they are fighting, not just against something, but for something. It is also a way to weaken the enemy's will to revolt.

It is not as if the material were not all here, ready for use by leadership. The Atlantic Charter was not by any means a bad beginning. Moscow and Teheran were essential, indeed magnificent as far as they went. There has been plenty of careful thought, and much excellent discussion, about how to provide a better America, a better Britain, a better world, after the war. Soldiers who want to know whether they are coming back to unemployment could honestly be reassured, if the best of the existing plans were given official sanction. Nothing could more strengthen the administration politically than public conviction that it has a good plan for this—and for the avoidance of future war. But Mr. Roosevelt appears to have been trying to strengthen the administration politically, not by concerning himself with the deepest fears and aspirations of the people, but by yielding to the lobbyists for special interests.

The fault, of course, is not entirely his. It is also Mr. Churchill's, Marshal Stalin's and the Generalissimo's. But one gets a sense that the peoples of the world are restive under this kind of leadership. They still accept it, because the alternative would be infinitely worse. But they accept it with diminishing ardor. The chance for a bold and imaginative lead is being frittered away. Victory will come, because the peoples will not endure defeat. The present leadership deserves eternal credit for making it possible that they should have the immediate means of victory. But if the time comes when an alternative leadership arises which seems not worse, but better, the peoples will greet it with a considerable relief. Mr. Roosevelt could do his cause and the world no better service than to understand this mood and go out to meet it at the present crisis of the war.

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A Journal of Opinion

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McKellar on the Rampage

SEN. KENNETH D. MCKELLAR'S latest attack upon the Tennessee Valley Authority is, in reality, a legislative temper tantrum. Then Senator has a grudge against TVA Chairman David E. Lilienthal, So intense is his anger that he is attempting to dynamite the whole TVA program, just to get his man.

The Senator is using the Independent Offices Appropriation bill as the vehicle of his vengeance. Onto the TVA portion of the bill he has tacked 16 "ripper" amendments, designed to bring this efficient government corporation under his thumb. If he succeeds, he rather than Lilienthal will direct TVA administration. And the day-to-day operations of that seven-state agency, capitalized by the taxpayers of the whole nation, will depend upon the condition of the Senator's health as he rises each morning in his Mayflower Hotel apartment.

This is what the Senator wants to do in the three most important amendments:

1. Gain control of TVA finances, by denying it further use of its receipts from power sales. This would force the TVA to come to Congress—that is, the Senate Appropriations Committee which McKellar rules with an iron hand—for every cent of money.

2. Take over TVA patronage, by forcing all its employees earning $4,500 or more to come before the Senate—meaning McKellar—for confirmation before continuing on the job. This would reduce the TVA to the status of an appendage of the Crump-McKellar political machine which dominates Tennessee.

3. Place TVA officials under an air-tight gag rule, by cutting off their salaries if they try to "influence public opinion by means of lectures, advertisements, publications, public statements, radio or otherwise . . . for or against any legislation or legislative proposal." This would permit McKellar to do anything he wishes with the TVA in Congress, without objection from TVA officials.

The remaining 13 amendments present the spectacle of a 75-year-old man on a rampage, striking out with blind fury at everything within reach. For instance, he would halt construction of a dam and two steam projects which Congress previously directed the TVA to build, and whose energy has already been committed for war purposes. Some of the amendments are picayune, such as the one forbidding the TVA to buy newspapers. Others are superfluous, such as the one banning political activity on the part of TVA employees. The Hatch "no-politics" law covers TVA employees, of course, and has more teeth than the McKellar ban, but the Senator insists that his amendment is necessary to keep Lilienthal from "trying to defeat me in Tennessee." Still other amendments threw political caution to the winds. The Senator broke all the rules in the politician's handbook, for example, when the committee ordered the TVA to move its headquarters from Knoxville to Muscle Shoals, Alabama. This amendment was offered, technically, by Sen. John Bankhead of Alabama, but McKellar paved the way during the hearings by contending that maintenance of headquarters at Knoxville was illegal. At any rate, his Knoxville constituents are "burned up."

The various charges the Senator has hurled at the TVA recently just don't make sense. In one breath, he brands Lilienthal as a "Hitler" and in another denounces the TVA's fertilizer program as "absolute communism." And because the TVA has worked out the usual interconnections and interchange agreements with neighboring private utility systems, it is charged with creating a "great power trust down there that makes Mr. Willkie's trust look like a thingumajig." The undisputed fact is that this sort of businesslike cooperation greatly reduces the cost of power, increases the TVA's profits and is absolutely essential if Southeastern war industries are to be kept running.

The only way to understand this gibberish is to understand Senator McKellar. He is the end-product of poll taxes and machine politics; a Southerner of the old school who takes his politics "personal-like." He is devoted to his friends if they do not differ with him; if they differ they become enemies of blackest hue. His temper is ungovernable; his wrath knows no bounds. When he develops an enmity, he is often vicious, vengeful and vitriolic. He uses the tactics of a backwoods prosecuting attorney. No holds are barred.

Furthermore, McKellar is a patronage-hunter of proved prowess and a seeker after fulsome credit for his every accomplishment. At the same time he is an indefatigable worker of considerable ability. To top it off, his long service in Congress has placed him in a position of great power. On the Appropriations Committee he has done innumerable favors for his colleagues over the years. And his colleagues never forget that he is able to extend or withhold favors in the future, depending on their attitude toward matters in which he is predominantly interested. It is no exaggeration, therefore, to say that he wields more log-rolling influence than any other individual in Congress when it comes to affairs like the Lilienthal feud.

During the recent Senate debate, McKellar tried to contend that his amendments were in the public interest. The most mundane motives were thinly camouflaged with noble purpose. He invoked the Constitution, for instance, to justify the patronage-grab. And he tried to make it appear that the change in the TVA's financial set-up was just part of the current

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congressional drive to gain independence from the executive. But nobody was fooled who did not want to be fooled in the first place. Everyone knew that the Senator was embroiled in a personal vendetta that had its real beginnings as far back as 1933.

The irony of Lilienthal's position today is that his troubles are not of his own making. They really antedated his appointment to the TVA, and arose out of McKellar's jealousy of former Sen. George W. Norris of Nebraska. It never set well with the Tennessean that his Nebraska colleague got credit for fathering the TVA. What's more, it was a hard pill to swallow when a dam was named for Norris, and none for him. This rankled in his soul. And Lilienthal suffered because McKellar always regarded him as "a Norris man." Despite this, however, McKellar and Lilienthal got along fairly well for seven years, but it was always an arm's-length association. McKellar even contained himself when Lilienthal made it clear in the very beginning that the TVA was not a patronage pie.

Throughout these years of truce, McKellar must be given full credit for fighting the battles of the TVA, especially in the Appropriations Committee. Time and again, he saved appropriations for new dams which had been turned down by the House. He was as resourceful in behalf of the TVA as he is today in opposition. Throughout these years, however, he never caught the vision of the TVA; he never understood its national significance. To him it was always a pork-barrel project.

The inevitable break occurred in the fall of 1941. At the behest of war-production leaders, the TVA requested funds to start the Douglas Dam on the French Broad River. It was urgently needed to supply power for the aluminum plants near Knoxville and Sheffield, Alabama. It was superior to any other project because it could be constructed in a minimum of time. Within the reservoir area, however, were located extensive truck farms supplying the Stokely canneries. The Stokelys fought the project desperately, and finally won McKellar's support. McKellar told Lilienthal the dam should not be built; another site should be selected. But the production chiefs and Lilienthal insisted upon Douglas because of its obvious advantages. McKellar exploded. He blocked the project for months—in fact, until Pearl Harbor and President Roosevelt overwhelmed him. The President called him to the White House and read the riot act, and McKellar finally bowed to the Commander-in-Chief.

Stung by this defeat, the Senator bided his time until the spring of 1942 when he tacked on to the annual TVA appropriation the same financial rider that is in the present bill. He jammed it through the Senate, but the House turned him down cold without even a record vote. These TVA assaults had sharp political repercussions in Tennessee. During the Douglas Dam fight many people believed the Senator when he piously proclaimed his love for the TVA. But his fight to get control of the TVA's finances convinced them he had turned against it. McKellar himself was not up for reëlection that summer, having been returned to the Senate in 1940. But his colleague and protégé, Sen. A. Tom Stewart, did have to run, and Stewart had tagged along with McKellar in fighting the TVA. Against a weak opponent, but one who drew the TVA issue with great clarity, Stewart barely squeezed through with a 20,000 majority. The Memphis political machine was all that saved him, for the rest of the state gave Stewart's opponent a 15,000 lead.

McKellar blamed this close shave on Lilienthal, whom he charged with "playing politics." Lilienthal's "politicking" was confined to protecting the TVA's financial set-up. In defense of the agency, he had merely stated the fact—that the McKellar plan would have destroyed its independence. In any event, if McKellar had any evidence that Lilienthal was doing more than this, he never submitted it to the Justice Department for prosecution under the Hatch Act.

The first battle of the TVA, which began at Douglas Dam in October, 1941, and ended at the ballot box in August, 1942, was won by the TVA forces. The second battle, which is now in progress, may not turn out so well, however. The decisive action will take place in the House. There, the attitude of the lusty Republican minority will be the deciding factor. In conference committee, the multiplicity of the "ripper" amendments gives Senator McKellar a bargaining advantage. He can well afford to lose some of the amendments in the give and take of compromise, yet still emerge with enough to do the TVA irreparable damage.

The vital amendments deal with the TVA's fiscal set-up and personnel, and McKellar will scrap to put over both of them. The patronage amendment is running into stiff opposition, for the House does not relish the idea of vesting patronage in the hands of the Senate. But the amendment to deprive the TVA of the use of its receipts has a wide appeal. McKellar is arguing that Congress should stop payment on all "blank checks" issued to government corporations, as one means of reëstablishing its coördinate position. The fact is, of course, that the TVA has never had a "blank check." Every cent it spends has been authorized by Congress. In the past Congress has merely said: "Instead of turning your receipts into the Treasury and having Congress reappropriate the money for construction work, you can use your receipts on projects we have approved during this period while you are still building your plant." This gives the TVA the same flexibility that private utility corporations enjoy.

Senator McKellar is vaguely charging "dishonesty," "corruption" and "fraud" in the handling of TVA funds. (Anyone who opposes him is usually accused of all three, and sometimes called a liar to boot.) But for the ten years the TVA has used its receipts, not one iota of evidence has ever been submitted to indicate a

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waste of public money. The funds are double-checked by the General Accounting Office and by a private auditing firm retained by the Authority. Full reports are rendered to Congress each year.

Today the Tennessee Valley is up in arms. It fears the politicalization of the greatest benefit the South has ever obtained from the federal government. Protests are coming in from chambers of commerce, civic clubs, rural electric coöperatives, municipal power systems, city and county officials, politicians and just plain citizens. Some of those who are now rushing to the TVA's defense bitterly opposed it in the beginning. Now that they have seen how it works, they do not want to have it hamstrung.

The force of public opinion is reflected in the attitude of political leaders from the Valley. The entire Tennessee delegation in the House, including the two Republicans, is opposing the amendments, though they would prefer not to join issue with McKellar under ordinary circumstances. Senator Bankhead, one of McKellar's bosom friends, is opposing him. And Ed Crump, the Memphis political leader who has been McKellar's mainstay for years, has parted company with him on the issue. In a statement the other day, Crump said he was "very, very sorry that the Senator sees fit to interfere with the operations of TVA which is so beneficial to the people of Tennessee."

The TVA is a national project. Taxpayers of the nation have a half-billion-dollar stake in it. They have seen its worth in turning out electric energy to run the wheels of war. But Tennessee and the other Tennessee Valley states cannot hold the fort alone. They need the help of the rest of the nation, as represented in Congress.

Washington J. LACEY REYNOLDS

The Invisible Congress

II. *The Battle for World Communications*

THE SHIPOWNERS' LOBBY has long been one of the major Washington pressure groups. The scandals surrounding the disposal of our wartime merchant fleet after the last war, and the stories of corruption relating to subsidy payments both to shipping and to commercial aviation made some of the juiciest news of the early thirties. Under less critical circumstances, the glare of that publicity might have run the shipping and aviation lobbyists back into their holes and adjourned that part of the Invisible Congress indefinitely, but economic necessity has forced these industries in the opposite direction.

United States shipping and commercial air lines are both involved in a deadly international struggle for power. The stakes are tremendous—both in dollars and in political diplomacy. The major issues before American shipowners are: Shall we aim for a postwar merchant marine second to none? And, a closely related question, shall our shipping interests get into international aviation after the war? The organized shipowners answer yes to both questions and are hard at work high-pressuring Congress and the executive agencies of the government involved to agree.

The major issue for our commercial aviation is: Will American postwar air policy be based on the principle of monopoly or of competition? Or stated more flatly, are Juan Trippe and Pan-American Airways to be allowed to grab off the whole United States share of the foreign-aviation pie, or will our sixteen other national airlines be given a chance to cut themselves a slice, too? Pan-American likes things the way they are now, with it virtually occupying the same kind of position as a "chosen instrument" for this country that the British Overseas Airways Corporation holds with its monopoly of subsidies from the British government.

What the British are planning and doing is a major factor in both the shipping and aviation fields as far as American business men are concerned. Parliament has rung with debates on these matters for months, and there has been much franker talk from England on coming British-American antagonism than there has here. Last summer, a Labor MP, Emanuel Shinwell, put the case very bluntly. Britain, he said, began the war with approximately 20,000,000 tons of merchant shipping and would end it with only about 9,000,000 tons; whereas, the United States began with 7,000,000 tons and will come out with from 15,000,000 to 30,000,000 tons. (American shipowners estimate 40,000,000 to 50,000,000 tons.) "We are not speaking of the America of President Roosevelt or of Henry Wallace," Shinwell said. "If we had that to contend with, our problem would be of comparatively easy solution. We are dealing with the America of big business and of Wall Street, the America of those who believe they can use the huge reserves of the United States of America in order to adopt an investment policy all over the world and to enable their shipping facilities to respond to that policy." The General Council of British Shipping, a super trade association with real political influence, is urging peremptorily that the British government force an American commitment against a race for merchant-marine supremacy, declaring that for them a superior fleet is a necessity, for us, a luxury.

The General Council of British Shipping has made no bones about its postwar aims with regard to trade supremacy in the air as well. Which is another reason,

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besides the fight with Pan-Am, for the other American airlines' concern about their future. British shipowners say that "It will be necessary to the trade and prosperity of Great Britain after the war to possess a commercial air fleet comparable to the mercantile marine which has been an equal necessity in the past." British shipping companies are buying into aviation and plan an integrated air-ocean transportation, a "balanced" fleet built around the long established technical and terminal facilities of the British mercantile marine. Our airlines fear this kind of high-powered British competition, and our shipowners contend that unless present restrictions against their entering air transport are removed, they cannot compete with an integrated British air-sea system.

The lines are drawn for the fight for control of world transportation. By virtue of studying their prospective opposition from England, American shipping and air interests have both developed great respect for the methods employed by their opposite numbers in Britain. They have seen that compared to the British, American industrialists are a bunch of pikers when it comes to influencing national policy their way, and to remedy that, they have set about asserting themselves politically. Washington has again become the center of operations. The old lobbies have been dusted off and oiled for action, and new ones have been set up to accelerate the drive. The shipowners and the airlines are besieging Washington for the executive favors and congressional actions they need to get in on a new gold rush.

Shipping Men in the Invisible Congress. – Up until a very few months ago, the shipping lobby was still running along much as it had for the past ten or twelve years, since the Senate investigation of their mail-subsidy contracts by Sen. Hugo Black which began in 1932. Bureaucracy and dead rot can and do affect lobbies just as they are said to affect government organizations, and much of the personnel of the shipping lobby has a long record of seniority. The Senate investigation under Black exposed many who are still with the lobby today. For example, Black brought out in some detail the extensive public-relations program the shipowners had financed through Edwin H. Duff, Washington representative of the American Steamship Owners' Association, who is still prominent in several shipowners' associations.

The shipowners have had a reputation in American industry for a high degree of individualism, a hangover of privateering spirit which has stood in the way of any real industrywide coöperation. They had not advanced beyond five separate owners' associations, each out for its own special program. These were: the American Merchant Marine Institute, representing between forty and fifty East Coast and Gulf Coast lines and having the top Washington ship lobbyist, Frank Taylor; the Shipowners' Association of the Pacific Coast; the Pacific-American Steamship Association; the Pacific American Tankship Association; and the Association of American Steamship Owners (non-subsidized lines like Roger Lapham's American-Hawaiian).

In the face of the postwar situation, the shipping lines are proving that they have learned something from this war. If "Gung Ho" was a good war motto, maybe it will be a good peace slogan too. Now they are working together in earnest. The five shipowners' associations have federated, retaining their autonomy but joining together in the new National Federation of American Shipping.

For leader of the new group, the shipowners have selected Almon E. Roth of San Francisco, as smooth, vigorous and experienced an employers' man as is to be found in the business. Roth has established headquarters in Washington and is warily feeling out the ground on which he plans to fight. Although he has no national reputation, California knows him well as president of the Waterfront Employers' Association of the Pacific Coast during the grim period of the Association's fight against the maritime unions and as an official of the state chamber of commerce.

If our shipowners are to get into international aviation on a real scale, legislation amending the present Civil Aeronautics Act will be required. The old shipping lobbyists who have held things together prior to the coming of Roth leave him certain valuable friendships in Congress. It is hard to imagine how a chairman of the House Committee on the Merchant Marine could be more to the liking of the shipping interests than the incumbent, Rep. Schuyler Otis Bland of Norfolk, Virginia. Bland rules his committee with an iron hand. In the Senate Commerce Committee, George L. Radcliffe of Maryland is the shipowners' spokesman for a merchant marine second to none. The chairman of the Maritime Commission, Admiral Land, has repeatedly testified before both committees in favor of shipowners entering into international aviation.

The Aviation Lobbies. – The sixteen national airlines which want to get in on Pan-American's international monopoly are now loosely banded together in what is known as the Airlines Policy Committee for the United States. They want free competition in international aviation; in order to get their noses under the tent, American shipowners are espousing the same cause but as yet their lobby under Almon Roth has not allied itself with the domestic-airlines group.

Commercial aviation is a good-sized American industry by now, but to look at the lobby run jointly by all sixteen of the lines outside of Pan-American you would never know it. Until a few months ago the airline operators, like the shipowners, had not seen the necessity for united action in Washington. Now they do. They are all hopping mad at Pan-American, and

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more especially at its president, Juan Trippe, who has so suavely and smilingly smoothed Pan-Am's path through the government maze. But Trippe has been lobbying in Washington for a long time, and the domestic airlines are just beginning to take Washington seriously. Trippe himself does the hard work of appearing before congressional committees and conferring with agency chiefs, oiling the way with his personality and his dimples. The domestic lines have usually relied on hired hands, publicity men or lawyers, competent, if no match for Trippe. Juan Trippe taught his competitors a lot about overseas flying with his courageous early experiments. He is still teaching them a lot about lobbying. Senators and Representatives who have received thorough, thoughtful attention at Trippe's hands are not unimpressed with his ability and the merit of the case he presents for Pan-American's monopoly of international air commerce from the United States end.

In the Senate, aviation affairs are the business of the Commerce Committee. Whether rightly or wrongly, the air lines which are fighting against Pan-American monopoly consider the chairman of that committee, Sen. Josiah Bailey of North Carolina, especially friendly to the Pan-Am point of view. Some observers think that Bailey's cordiality toward Pan-Am may be in some way related to his friendship for one of Washington's top lawyer members of the Invisible Congress, O. Max Gardner, former Governor of Bailey's state. Gardner is a charming, plausible Washington spokesman for a variety of interests. Well informed North Carolinians now residing in the Capital generally regard Gardner as John and Mary Hanes's Washington man. The Haneses are important people in North Carolina, and his old friends are proud that Johnny Hanes is now an important man in Wall Street, too. In addition to advising Wendell Willkie and propagandizing for lower taxes on business, Hanes is a director of Pan-Am airways, in addition to serving on the boards of Glenn Martin and Republic Aviation, Sperry Gyroscope, American Superpower Corporation, Newport News Shipbuilding and United States Lines. The present Governor of North Carolina is Clyde Hoey, Gardner's brother-in-law, who controls the state political machine that supports Bailey as well as himself.

The airlines that are opposing Pan-Am also consider Sen. Pat McCarran of Nevada as another member of the Commerce Committee inclined Pan-American way. Perhaps he has special knowledge of the problems involved through his son-in-law, Edwin Hay, who is employed by Pan-Am as an assistant research engineer.

Pan-American challengers look more hopefully toward the House for support in their fight. Recently, Rep. Harry Sheppard of California launched out at Pan-Am: "Our country is facing danger in the air," he warned, ". . . our commercial aviation over the oceans will be hamstrung and crippled . . . because powerful forces are at work within aviation circles to throttle all competition in American transoceanic aviation." Then Representative Sheppard went on to spell out the danger. He pointed his finger first at Juan Trippe for "laboring to give birth to a monopoly of our international air waves" with "a resourceful shrewdness and arrogance and an ambition that defies understanding." Trippe, he said, had wealthy and influential friends, awed by his personal boldness and his gigantic plans, inside the government. Sheppard cited Leo Crowley, Norman Davis and Admiral W. H. Standley, whom he listed as directors of Pan-Am, and Undersecretary of State Edward R. Stettinius, Trippe's brother-in-law, as examples. He further hailed "the most active lobby the Congress of the United States has ever been called upon to withstand."

Another of the Pan-American directors besides Trippe commutes to Washington by aerial taxi-cab, Sam Pryor, Republican National Committeeman from Connecticut, generally credited with putting Rep. Clare Luce into the House and inspiring her famous air-imperialism speech of some months ago. Pryor handles Pan-American affairs on the Republican side of Congress.

The people who want international control of the air and other resources to help ensure future peace still have found no political voice.

In my next article I shall report on the role the real-estate and insurance lobbies are playing in the Invisible Congress.

HELEN FULLER

Down Under in Harlem

If you are white and are reading this vignette, don't take it for granted that all Harlem is a slum. It isn't. There are big apartment houses up on the hill, Sugar Hill, and up by City College—nice high-rent houses with elevators and doormen, where Canada Lee lives, and W. C. Handy, and the George S. Schuylers, and the Walter Whites, where colored families send their babies to private kindergartens and their youngsters to Ethical Culture School. And, please, white people, don't think that all Negroes are the same. They aren't.

Last year's Harlem riots demonstrated this clearly. Most of the people on Sugar Hill were just as indignant about the riots as was Mayor LaGuardia. Some of them even said the riots put the Negro race back fifty years. But the people who live in the riot area don't make enough money really to afford the high rents and the high prices merchants and landlords charge in Harlem, and most of them are not acquainted personally—as are many Sugar Hillites—with liberals like Pearl Buck and John Haynes Holmes. They have not attended civic banquets at the Astor, or had luncheon with emancipated movie stars at Sardi's. Indeed, the average Harlemite's impression of white folks, democracy and life in general is rather bad.

Naturally, if you live on nice, tree-lined, quiet Con-

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vent Avenue, even though you are colored, it would never occur to you to riot and break windows. When some of the colored leaders whose names are often in the white newspapers, came out of their elevator houses and down into Harlem during the riots, to urge, with the best intentions in the world, that the mobs stop breaking windows and go home, lots of the rioters did not even know who they were. And others of them said, "Boo-oo-o! Go home yourself."

It is, I should imagine, nice to be smart enough and lucky enough to be among Dr. DuBois' "talented tenth" and be a race leader and go to the symphony concerts and live on that attractive rise of bluff and parkway along upper Edgecombe Avenue overlooking the Polo Grounds, where the plumbing really works and the ceilings are high and airy. For just a few thousands a year one can live very well on Sugar Hill in a house with a white-tiled hall.

But under the hill on Eighth Avenue, on Lenox, and on Fifth there are places like this—dark, unpleasant houses with steep stairs and narrow halls, where the rooms are too small, the ceilings too low and the rents too high. There are apartments with a dozen names over each bell. The house is full of roomers. Papa and mama sleep in the living room, the kids in the dining room, lodgers in every alcove, and everything but the kitchen is rented out for sleeping. Cooking and meals are rotated in the kitchen.

In vast sections below the hill, neighborhood amusement centers after dark are gin mills, candy stores that sell King Kong (and maybe reefers), drug stores that sell geronimoes—dope tablets—to juveniles for pepping up cokes, pool halls where gambling is wide open and barbecue stands that book numbers. Sometimes, even the grocery stores have their little side rackets without the law. White men, more often than Negroes, own these immoral places where kids as well as grown-ups come.

The kids and the grown-ups are not criminal or low by nature. Poverty, however, and frustration have made some of them too desperate to be decent. Some of them don't try any more. Slum-shocked, I reckon.

One Saturday night last winter, I went into a barbecue stand where the juke-box was loud and the air thick with smoke. At the tables there were mostly young folks—nice, not very pretty girls dressed in their best, with young men who had cleaned up after work. Some of the young men still wore their last spring's artificial camel's-hair coats—a top coat in winter with the snow outside—but they were trying to look nice, to be nice in the Harlem slums.

A half-dozen teen-age boys came in and stood around listening to the records on the juke-box. Shortly, a quarrel began among them. Almost immediately knives were drawn and switch-blades flashed, and one youngster let a blackjack a foot long slide out of his sleeve.

The woman at the counter who served my sandwich said, "Somebody ought to call the cops." (As though cops could solve the problems of poverty and delinquency in Harlem.) The white proprietor behind the beer bar paid no attention to the turmoil. Short of murder or destruction, white proprietors in Harlem seldom mix in Negro squabbles—just as they never belong to neighborhood committees to improve conditions, either.

"I just don't want 'em to fight in here," the woman said, "that's all!"

The boys didn't fight. They simply milled around, showed their weapons, bluffed and cursed each other. But their language frightened some of the quiet, not-very-pretty girls at the tables with the young men in their thin near-camel's-hair coats, out on a Saturday night trying to look nice and have a nice quiet time.

Louis Jordan on the juke-box, loud. Over the music the woman behind the counter said, "This time of night, all these young boys ought to be home."

"That's right," I said.

Home. A dozen names on the bell. Roomers all over the house. No place for a kid to bring his friends. Only the pool halls open, the candy stores that bootleg liquor, the barbecue stands where you can listen to the juke-box even if you're broke and don't want to buy anything, and the long Harlem streets outside dimmed out because Hitler might send his planes overhead some dark night.

Should the planes come, their bombs most certainly would be louder than the juke-boxes, and their flying fragments of metal sharper than the cheap steel of drug-store switch-blades in the hands of kids who have no homes where they can bring their friends. A piece of bomb can hit harder than a boy with a blackjack up his sleeve.

Hitler in Berlin. Bad kids in Harlem. Indignation in the Mayor's office. Also on Sugar Hill. Louis Jordan's records:

I'm gonna move . . .
. . . outskirts of town . . .

Barbecued ribs, a quarter. Sign:

DON'T ASK FOR CREDIT—HE'S DEAD!!!

Riots. Long discussions downtown about forming more committees to make more surveys for more reports for more detailed study by more politicians before taking action on conditions in Harlem.

Sign over the barbecue counter:

WE CAN'T PAY OUR BILLS WITH TRUST!
CAN YOU?

That sign, of course, is in reference to credit for sandwiches. It has nothing to do with the democratic system. It simply means that if you haven't got a quarter, you don't eat. There has been a sort of permanent scarcity of quarters in Harlem, so that sign might very well serve the committees as a motto for their surveys.

LANGSTON HUGHES

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Washington Notes

Can the Boom Last?

AMERICA'S WAR ECONOMY is a fearful and awe-inspiring thing. Production is greater, profits are greater, anxiety is greater, than ever before in history. The whole *thing runs on a fallacy, wasteful war production; and my,* how it runs! We are fighting a war and getting rich too.

For the moment I am interested in the mechanics. Chester Bowles of the OPA has just explained it to a doubting committee. The system is under attack from every side. Labor wants higher wages. Farmers want higher prices. Corporations want to end renegotiation. The legislature hates subsidies. And yet the darn thing runs. We have inflation, but not as much as in World War I. And not half as much as if the leaky boiler really let go. On a makeshift and extemporized basis, detailed and complicated controls beyond anything in American history have been imposed. And instead of runaway prices, most prices have been pegged.

Farmers, labor and corporations are making the biggest profits on record. Farmers' net income has jumped $8,200,000,000 since 1939; business profits after taxes have skyrocketed from $4,000,000,000 to $8,500,000,000, the highest level of earnings ever reached in America; *national income is roosting in the tall pines.*

American farm output has jumped one-third over the 1935-39 average, despite inadequate manpower and machinery. Industrial output, already high in 1939, has since then doubled. Yes—doubled. We are equipping our own armies. We are equipping other armies. We are feeding ourselves and other nations. And we haven't yet even had to ration clothes or fuel.

But how about inflation? Well, Mr. Bowles had the answer for that, too. At this point in World War I, butter was selling at 78 cents; cost of living was up 65 percent. Today, cost of living is up only 26 percent. And in the past 11 months, according to Mr. Bowles, there has been no upward move in the cost-of-living average at all. In other words, although the very floor is shaking underfoot, the old monster inflation has been pegged down.

I think there is something to be proud of in all this. There is credit enough to go around. But one's feelings of elation are mixed with awe and terror. The system works, but nobody likes it. The system's precarious stability depends upon the antagonistic counterthrust of hostile forces. Labor is demanding an end of the Little Steel formula. Congress has political ideas about the Price Control Act, which expires June 30. Gasoline ration-card forgers are active. Subsidies are constantly threatened. Inflationary pressure is mounting in banks: the SEC reports for 1943 the highest rate of liquid saving by individuals on record—$37,700,000,000 (compared to $4,000,000,000 in 1940). And at the back of everyone's mind is fear that the thing can't last. America's greatest boom is here by grace of government controls and war; when the war ends, what then—?

As Wendell Willkie invades the Wisconsin primaries the men who really rule the Republican Party have taken two significant steps here. In the first place, the Republican National Committee, defying the tradition that postpones such decisions till the nominating convention, has gone on record against the federal voting law by having printed and distributed several hundred thousand 12x5 green circulars attacking the so-called "bobtail ballot" as unconstitutional. This aligns Chairman Spangler's headquarters with Governors Dewey and Bricker, and takes a passing blow at Mr. Willkie. It also indirectly criticizes the ten Republican Senators, including Vandenberg, who voted for the federal ballot, and seventeen Republican House members. More than ever it means that the dominant Republican faction has adopted the votes-for-soldiers controversy as a party issue.

Second, the old GOP conservative, non-interventionist, Senate bloc has moved in and taken control of the party in the upper chamber. Amiable, weak-sister Wallace White of Maine, an internationalist, who is "acting" minority leader to succeed McNary, has been swallowed up in a triumvirate shared by Senators Taft and Vandenberg. Taft will try to succeed White as permanent leader after the election, in January. Meanwhile the triumvirs run the Senate Republicans. Carefully ignored are internationalists like Austin (McNary's assistant) or young Joe Ball, who helped force through the Connally resolution. The trend indicated is significant both for the election and for the peace thereafter.

Here are some of the forces creating America's recent sterile diplomacy. *Political:* Fear that stronger stand might alienate U.S. voting groups, antagonize the Senate and spoil the peace. *Tactical:* We are bogged in Italy, so unfolding the Badoglio policy, set for Rome's capture, hasn't come; second-front time-table has held back French developments. *Diplomatic:* We don't see eye-to-eye with British on Italy, with Russia on Baltic. *Personal:* 73-year-old Cordell Hull is slow, cautious; Roosevelt likes direct contacts, has seen Stalin only once. *Intellectual:* We fail to enunciate stronger policy because, some suspect, we have none to enunciate.

Result, immediate: Almost unanimous chorus of criticism against Hull-Roosevelt inaction, irked and aggravated *now in the lull before invasion. Result, future:* If continued, lowered morale, revived question, "What are we fighting for?"

Solution (partial): Clarion call of American war aims, based on thesis: any war that is not a crusade is a crime.

Miscellany: Military here is fascinated by current attrition of Nazi fighter planes both in air and in production; success may affect second-front plans. . . . Isolated, starving Bougainville Japs are believed about due for final suicide exit. . . . The man who dreamed up the Arabian-pipeline venture is John Carter, a naval officer. . . . Washington rumors a new Allied conference to settle growing diplomatic problems. . . . Few correspondents believe Martin Dies will put Walter Winchell on the witness stand; if he does they want front seats. . . . Dewey-Warren political stock steadily gains.

Washington T. R. B.

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Flesh, Fish, Fowl

Jacobowsky and the Colonel. Original play by Franz Werfel; "American play based on same" by S. N. Behrman. Martin Beck Theatre, March 14, 1944.

DOUBTLESS none of the people involved with "Jacobowsky and the Colonel" thinks it amounts to anything very much. They are among the most capable people of the theatre: Miss Theresa Helburn and Mr. Lawrence Langner, of the Theatre Guild, who present the play; Mr. S. N. Behrman, who made this adaptation, basification, whatever you call it; Mr. Elia Kazan, who directed it; Mr. Stewart Chaney, who designed the various settings, all highly competent, those out-of-doors exceptionally effective. Except for the presence of Mr. Oscar Karlweis in one of the leading roles, these names in themselves, along with that of Werfel, are about the only reason for noticing the occasion at all.

The first act of "Jacobowsky and the Colonel," in the laundry of the Hotel Mon Repos et de la Rose and in the street outside, serves to introduce the situation, with German air raids, the various personages to be expected in such a selected stage group in dear Paris, the innkeeper with her discernment of Jacobowsky's virtues, and the Polish colonel, with his high-minded code of honor, his perpetual amorous romantics, his somewhat obfuscated altitudes and his possession, according to Jacobowsky, of one of the finest minds of the fifteenth century. There are, of course, papers to be delivered to the Polish Government-in-Exile in London. Jacobowsky finds an automobile, and the colonel, his orderly and Jacobowsky set off—in the direction of the lady with whom the colonel is really in love, other ardent moments to the contrary. The whole act goes fairly flat, partly because it is neither one thing nor the other, one minute raillery or farce, another journalism, another what might be taken as serious matter. This whole effect is due partly, too, to the fact that the younger actors, or those in the smaller parts, can't act; the impression is not one cut above amateur dramatics.

The second act, where the Colonel arrives at his beloved's house, picks up somewhat, thanks to its tried and trusted theatrical tricks in the field of farce, and thanks to the story of escape plus conflict of characters and so on and so on. The third act might be classed as rather macabre and then pathetic, what with the dismal dive and its lost habitués, and later on the choice of the heroine, played by Annabella of the films, to stay by France and force Jacobowsky to take the place alongside the Colonel on the boat that will carry them to England.

I do not know the Werfel original and so have no way of knowing how much or how little Mr. Behrman has stuck to it. What we have at the Martin Beck is neither flesh, fish nor fowl, with whimsy, gush, eloquence, international significance, epigrams, high prophecy and ordinary clichés, all in a plausible and wooing wash. If you do not take it seriously it is boring; if you take it seriously it is without unity of tone and without taste and without style, all three of which are one and the same thing perhaps.

Mr. Louis Calhern plays the colonel with proper comprehension of what the role means, though he could greatly help the occasion by conveying more of an impression of wit and verve in the process of comprehending this meaning. Mr. J. Edward Bromberg, the colonel's Sancho Panza, maintains better than most of the company one tone for his performance. Mr. Oscar Karlweis, as Jacobowsky, is quite out of class with the play, the company and the whole occasion. This well known Viennese actor, who not long since gave a performance of the Prince in "Rosalinda" ("Die Fledermaus")—a role which he had created in the original Korngold-Reinhardt production—that our stage could not rival in any sense, brings now to the role of Jacobowsky a fine continuity of performance, a subtle and well projected perception of the character's elusive significance, philosophy, whimsy, goodness and grace. This is truly civilized acting, with all the implications involved of quality combined with technique. STARK YOUNG

Hate for Sale

"THE PURPLE HEART" is a very efficient Hollywood production, produced by Darryl F. Zanuck and purportedly written by him under the pen-name of Melville Crossman, which shows the trial by the Japanese of the eight American fliers who were captured in China after they had taken part in the bombing raid on Tokyo. The fliers are tried—in violation of international law—for murder because they are accused of having bombed non-military objectives. The real aim in trying them seems to have been to get them to disclose where and from what they took off on their mission. After the fliers have been horribly tortured and still refuse to tell the Japs, they are executed. "The Purple Heart" has a bill of goods to sell, concerning the cruelty and inhumanity of the Japanese as opposed to the humanity of Americans, which it sells very crisply and effectively. But I dislike it thoroughly.

There are ways and ways of presenting the enemy's bestiality; the way of this movie—especially with its provocative use of a trial of war prisoners as a bloodthirsty hint to those courts which, after the war, will try war criminals —seems to me to be the most inhuman, dangerous and short-sighted way. "The Purple Heart" is not interested in making you understand or in enlightening you about the Japanese character, nor in any facts that would account for such cruelty. Rather it has to offer an endless number of similar, one-dimensionally-examined examples of Japanese brutality, the effect of which is to narrow and solidify hatred of a group of people into hatred of a whole people. Besides treating an enormously complicated subject—the Japanese personality—which has a whole complexity of causal factors that "The Purple Heart" doesn't make the slightest effort to uncover, it treats an enormously delicate subject, which can have the severest, most tragic repercussions, with the care and foresight of a mad bull. I don't see a great deal of difference between the Japanese court that this movie shows and whose injustice it hates, and its own creative attitude: the movie says that the court was thoroughly biased against the fliers, while the movie's own attitude toward its every fact is completely biased; the Japanese court in this film is accused of every sort of perjury and malevolence, yet this same film sets itself up as the historical image of an event whose every detail it fashions to its own bias; it is horrified at the inhumanity of

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Congress Must Act On the Palestine Resolution!

The Bogey of "Military Expediency" Exposed

Who Misinformed General Marshall?

Speaking before the Senate Foreign Relations Committee, General George C. Marshall, Chief of Staff of the United States, opposed the resolution introduced in Congress that Palestine be opened for Jewish immigration on grounds of "military expediency."

We seek no quarrel with General Marshall, who has well earned the reputation of a great military leader; but we do want to register our astonishment and dismay that the General permitted himself to be dragged into a political issue, and especially to align himself against the rescue of hundreds of thousands of torture stricken people.

General Marshall made his statement relying upon information he had received from certain quarters. Judging from the evidence he gave before the Senate Committee, we can safely assume that those sources were either incompetent or biased.

What is that "military expediency" so alarmingly proclaimed in opposition to the Palestine resolution? Wherein lies that threat of Arab resistance, so grave and enormous, that General Marshall "could not take the responsibility for certain consequences"?

Arabs Not a Military Factor

Militarily the Arabs represent a zero. There is not a single tank regiment, a single plane formation or one mechanized unit in any Arab country. There is not one Arab contingent which can fight in modern warfare. There is not one Arab factory for the production of modern weapons. There is not one strategic position which is not occupied by Allied forces. There is not even the possibility of arms reaching the Arabs [illegible] Middle East [illegible]

Jewish Blood for Arab Oil?

We can understand how the British Colonial Office stages Arab opposition to Zionism, but we cannot understand how American political leaders can be blinded by these palpable intrigues. Our State Department has followed a policy of appeasement which was more often harmful than beneficial. But in the case of the Arabs, it is not even appeasement, because there is no force to be appeased. What then has prompted our State Department to take an anti-Zionist stand, to use every means of influence at its command to prejudice Congress against the Palestine resolution? *IS JEWISH BLOOD BEING BARTERED FOR ARAB OIL?* If this is the deal, it is as shocking as it is uncalled for. The State Department must realize by now that Ibn Saud is being bought for American dollars, and need not be bought a second time for American Anti-Zionism.

Who Speaks for America?

President Roosevelt has authorized Zionist leaders to proclaim in his name that America has never given its approval to the British White Paper of 1939. This is encouraging news. But a very pertinent question arises: who speaks for America—the President, or the Chief of Staff, the Secretary of State and the Secretary of War, who advised Congress not to pass the Palestine resolution? *If a pro-Zionist resolution adopted by Congress would endanger our war positions, a pro-Zionist declaration by the Commander-in-Chief of all our armed forces would surely have the same effect.*

Whatever the reasons for his pronouncement, President Roosevelt gave the lie to all opposition to the Palestine resolution based on "military expediency." Our appeal now is addressed

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bluntly, sheer nonsense. If further proof is needed, it is indicated by the fact that immediately following General Marshall's statement American fliers delivered the first shipment of lend-lease weapons to Ibn Saud, and *it is understood that American equipment will flow to Saudi Arabia in additional and larger quantities.* If the Arabs constitute a potential threat to our armies, why this supply of weapons to them? If the Arabs do not constitute such a threat—why this argument against opening Palestine to the Jews?

No Danger of Revolt

Indeed, there is not the remotest possibility of Arab disturbance in the Middle East that may hamper our war effort, or involve the loss of American lives. Moreover, 50,000 Jewish troops stationed in the Middle East—half of them in separate Jewish units—are ready, anxious and capable to serve the cause of the United Nations and to meet any eventuality. If a drain on our armed forces is considered, additional tens of thousands of loyal Palestine Jews would readily volunteer for the purpose of maintaining order and assuring the uninterrupted war effort in the Middle East.

Only in the event of an overwhelming Nazi victory would the Arabs constitute a certain nuisance value, only then might they try again to stab the Allies in the back as they did in Iraq, in 1941. *But America's pro- or anti-Zionist stand will in no way affect the situation.* Britain was openly anti-Zionist in 1941; this did not deter the Iraqis from revolting against Britain when Nazi dominance over the Middle East seemed assured. Now the Arabs know who will win this war, and they will never oppose the victor.

Arab Might a Colonial Myth

The Iraqi revolt was swiftly crushed by a few British regiments. Since then, Britain has tightened her grip over the Middle East. Every governmental department in the Arab countries, from the censorship to the police, is controlled by Great Britain. If the Arab press incited against the Jews, if it published articles against Zionism or against the resolution in the American Congress, it is because it was encouraged by Colonial agents to do so. If the governments of the Arab countries made anti-Zionist declarations and sent threatening messages to the United States Congress, it is because they were led to take such action by their British "advisers." To assume that these "governments" which rule by the grace of Britain and are financially dependent upon the British Exchequer will revolt against the Allies is to assume that the stick will strike its master.

[illegible] will. And of Congress we ask to act on the Palestine resolution; to reaffirm that the United States will ever remain faithful to the principles of justice and humanity; that no outside interference and threats can influence the democratic processes of our great nation; *that America's name will never be dishonored.*

Men and Women of America! A people in despair cries out to you for justice! *Will you let them die, or will you lend a hand to save them?*

THE NEW ZIONIST ORGANIZATION OF AMERICA

COL. JOHN HENRY PATTERSON, D.S.O.
Honorary President

COL. MORRIS J. MENDELSOHN
President

The case of Palestine must be presented in messages like these, again and again, until the whole true story is told; until the American public is *aroused;* until our government is moved to action. It depends on *each of us* whether this task will be accomplished, and *how quickly* it will be accomplished. Every dollar you contribute to this campaign will serve as a lever to this humane cause. *Give to the utmost of your ability!*

(By a ruling of the Treasury Department, all contributions to the New Zionist Organization of America are tax-exempt.)

I am in full sympathy with your fight to save the persecuted and uprooted Jews of Europe through the formation of a Jewish State in Palestine. To help you achieve this aim I am pleased to enclose my check in the amount of

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the Japanese, yet its own attitude toward them is without human feeling. Whether or not what this film shows is true, it is still, because of its narrowness and restrictiveness, to me an irresponsible picture.

"The Purple Heart," which stars as its fliers Dana Andrews, Sam Levene and Farley Granger among others, is directed by Lewis Milestone with his usual crispness and conviction, but with a more flexible turn than he showed in either "The North Star" or "Edge of Darkness," where every happening seemed a stylized, metallic proposition of an original event. There is somewhat more naturalness and give here: in the volatile energy of the fliers' responses at the trial, in Greenbaum's self-mockery, and in the imaginative and delicate rendition of youthful love that occurs in a flashback over a water-pail. There is more screen invention and quality in the way events are shown (that of the bailing out of the fliers), in the way they are introduced, and joined. I still think "The Purple Heart" is too much a device solely for allotting models to Americans for bravery and medals to the Japanese for deceit without finding out enough of the characters of the men underneath the medals.

It is a minor point—but worth bringing up after so many repetitions in war movies—that some football-players don't make All-American, and if they do, aren't necessarily characterized by that fact, nor are they always so large-sized and of middle-European parentage; some Jews do not come from New York, nor need they always be of the half comic, half wise-guy street-car conductor-type; while we're on it, why can't the Jew for once be the villain, or the pilot and leader of the airplane crew; the "Red River Valley," wonderful as it is, can't be made to fit all visual images. The Brooklyn Dodgers aren't used again in this film, but what has been said above applies to them (there are some people who go for the Giants).

As far as I know, the best of the recently released films are "The Curse of the Cat People," "The Adventures of Mark Twain" and the government release, "With the Marines at Tarawa."

The address of Blue Note Records, mentioned in "New Orleans Survival," February 21, is 10 West 47th Street, New York City.

MANNY FARBER

The Bandwagon

He [Senator Bilbo of Mississippi] told a group of Negroes who called on him to appeal for aid in doing away with race discriminations that they could expect no help from him, but said he would not push his bill for mass migration of Negroes back to Africa until after the war. – *From The Washington Daily News.*

The Women's Christian Temperance Union announced tonight that it was against the draft for women for national service. "Conscription would often place women in the company of undesirable men and lead to drink and perhaps other habits," the WCTU said. – *UP dispatch from Evanston, Ill.*

Mr. Foster [W. Z. Foster, Communist leader] is reported to have told the Central Committee of the Communist Party that he would not coöperate with "reactionary capitalists" like Henry Ford or "middle-of-the-road capitalists" like President Roosevelt, but that he would coöperate with "liberal capitalists" like Thomas Lamont. – *News story in The New York Herald Tribune.*

Martial Bliss

Sgt. Jack Darnell, who has been on maneuvers in Columbus, Indiana, with his wife, spent a furlough here with his parents, Mr. and Mrs. Wilbur Darnell. – *From The Journal and Courier (Lafayette, Indiana).*

Praise from Sir Hubert

I want to talk to you tonight about the man who is standing almost alone in the USA in the fight against the forces of Jewry and Bolshevism. This man is William Randolph Hearst. Let us look at this man Hearst who openly dares to publish the truth, and who flirts with USA censors. We find that he is the sworn enemy of American democracy and all the shady underhand shabbiness that it stands for. – *From a recent broadcast by Radio National, an Axis station, as quoted in PM.*

Total-War Department

A unique stained-glass window, executed by one of the country's best known artists in that field, who says it is the first time the Virgin has been represented as holding a warship instead of the Christ child, will soon be installed in the chapel of our Lady of Victory at the Norfolk naval operating base. – *AP dispatch from Norfolk, Virginia.*

Our readers are invited to contribute to this column; $1 will be paid for each item used. Address Bandwagon, care of The New Republic. Please enclose the original clipping. – THE EDITORS

Correspondence

The Patent-Monopoly Problem

SIR: We have read Robert Reuben's articulate presentation of the patent-monopoly problem in your issue of February 14, but we cannot agree with what seems to be his solution. His only concrete suggestion was the creation of a central federal research authority (Kilgore bill). In the first place, this would duplicate functions already performed by the government, as in agriculture and public health. In the second place, the question is not one of industry's ability to carry on research successfully, but one of industry's willingness to use the results of this research for the public good.

The problem in patent legislation as we see it, and as Mr. Reuben has stated it, is one of ensuring an unrestricted flow of and reward for invention on the one hand, and ensuring against a monopolistic control of production on the other. We have agreed on a solution which, without the economic refinements, follows:

Open all patents to use by anyone who will pay the holder of the patent a legally fixed percentage of the profits. In the case of the inventor who is bound by contract to turn the patent of any of his inventions over to the company employing him, the inventor himself will get a legally fixed portion of the royalties and the company holding the patent will get the remainder. Our proposal would have the following advantages: (1) The research laboratories which are supported by industry and which seem to be an integral part of the national economy would not be discouraged. The operators of the research laboratory would retain the title to the patent, and would therefore make a profit from its use by other companies.

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(2) Inventors under contract to research laboratories would be guaranteed their fair share of the royalties. (3) The proposal would not require an amendment, since the "eminent domain" clause justifies such legislation. (4) In effect, the proposal is now being employed in the case of alien patents seized as a wartime-emergency measure.

The proposal would have international repercussions and would compel other countries to enact similar legislation.

We cannot overemphasize the importance of acting as soon as possible while German cartels are still held as enemies of this country, and while the United States is more united than it ever will be after the war.

Blacksburg, Va. "TWO PRIVATES"

Negro Soldiers and White

SIR: May I send my congratulations to your contributor, Lucille B. Milner, for her article "Jim Crow in the Army" [The New Republic, March 13]. For the most part, the article was excellent, and it is a stirring challenge to those who would see equal justice granted to all. But there is one question I would like to ask: Why is it necessary, in championing the cause of any group, to ascribe to that group virtues which they simply do not possess? I phrase the question this way because I believe The New Republic is guilty of continually romanticizing, and thereby falsifying, many ugly situations for which it pretends to provide a decent and moral solution.

For example: Mrs. Milner contends that the "Negro soldier is deeply patriotic, vividly conscious of our aims in this war, eager to get into the fighting areas." Such bland and unrealistic statements make easy prey for the wayfaring cynic—especially for the GI who knows that the generalization does not hold true for white troops, much less for Negro. If patriotism is a virtue, I'm quite certain that only a small minority are very "deeply" virtuous. If American troops are at all conscious of our confused and mostly ridiculous war aims, you will have to admit they are not really "vividly" conscious of those aims. And lastly, if Negro troops, on the whole, are eager to get into the fighting areas, I say God bless them, for they stand in sharp contra-distinction to a good majority of white soldiers.

Don't misunderstand me. I am quite in sympathy with Mrs. Milner's strictures against Jim Crowism, and I am sure that anyone with any sense of decency at all must feel moral indignation over the white man's unscrupulous attitude toward the Negro—both inside the army and out. But let me say that people are not going to be convinced of the injustice of the situation—and they can rightly be skeptical of the admonitions of the idealist—if the situation cannot be appraised more realistically than the particular appraisal which I quoted above.

Cambridge, Mass. PFC. T. W.

From The New Republic Mail Bag

The American Free World Association announces a series of free public meetings to be addressed by Orson Welles, all at 8:30 p. m. They are: March 27, Theodore Roosevelt High School, 500 East Fordham Road, the Bronx; March 28, Jamaica High School, One Hundred and Sixty-eighth Street and Gothic Drive, Jamaica; March 29, Erasmus Hall High School, Flatbush Avenue, near Church Avenue, Brooklyn; March 30, Free World House, 144 Bleecker Street, Manhattan.

Babette Deutsch, of New York City, writes referring to advertisements of the Emergency Committee to Save the Jewish People of Europe, which have been published in The New Republic and have carried her name as a member. Miss Deutsch wishes to register the fact that she has resigned from this committee.

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Books in Review

Marginalia

ROBERT SHERROD's book on Tarawa, which I reviewed last week, leaves us with the old questions about the conduct of defeated Japanese troops: why do they commit mass suicide and, from the standpoint of their rulers in Tokyo, does it pay? Apparently their willingness to die is partly to be explained by their state religion—as this has developed in the last seventy years—but also it is the manifestation of a deliberate military policy. Japanese soldiers are taught in their indoctrination courses that they are descended from gods and ruled by a god-emperor; that if they die in battle they will themselves be sanctified as gods and live in eternal bliss. But these are Sunday doctrines that might be forgotten by the middle of the week, if they weren't supported by more worldly arguments. Accordingly the Japanese soldiers are told that it would be stupid to surrender, since the Yankees would kill them anyway, but only after putting them to unspeakable tortures. And if they remain skeptical, "Why," their officers can always say, "just see what *we* do to the Yankees when *they* surrender. Would *you* want to be starved, humiliated, overworked and then bayoneted when you could work no longer?" The tortures inflicted on American prisoners are presented to the Japanese rank and file as an object lesson that will make them fight better and die at their posts. They are the result, not of racial traits or inherent bestiality, but of cold military logic.

Not all the Japanese soldiers are convinced by these doctrines and examples. Even on Tarawa there were scores of prisoners taken by the Marines, although most of them were Koreans from a labor battalion. On Kwajalein there were many more, and correspondents reported that still others who wanted to surrender were shot in the back by their own officers. As our forces advance toward the Japanese mainland and encounter more second-line troops—less carefully indoctrinated than the Imperial Navy Landing Force that defended Tarawa—the proportion of prisoners is likely to increase. As a general rule, however, the Japanese leaders can depend on their men not to fall into enemy hands and not to survive a crushing defeat. The question that remains is whether this policy has been profitable in terms of military results.

Most certainly it has been a source of comforting assurance to the Japanese High Command. It means that soldiers can be treated as machines guaranteed to continue in operation until they run out of fuel and then blow themselves up when threatened with capture. Often, however, it has led to utterly pointless losses. There was one occasion when a Japanese battalion landed behind the American lines on Bataan. Discovered and surrounded, it fought bravely for a time, and the survivors leaped to their deaths from a cliff. Had they surrendered, they would have been freed within a month to fight in other battles. After losing the airfield on Los Negros Island, the Japanese made a suicide charge; next day the Americans counted 700 corpses near the field. The only result was to hasten our conquest of the island. Sherrod saw many Japanese on Tarawa, and thinks there must have been hundreds of others, who committed suicide rather than fight to the end. Feeling that death was certain in any case, they hadn't the courage to wait for it. The Marines, on the other hand, fought all the more desperately because they wanted to survive.

A controversy that has raged for several months among the French exiles came into the open when "The Silence of the Sea" was published in its English translation. Was the story a genuine product of the underground? Was it calculated to unite all honest Frenchmen in their struggle against the Nazis? Or was it a subtle argument for collaboration?—perhaps even an attempt to spread confusion and disunity through the resistance movement? The questions were raised by Kay Boyle, in a well informed article for The New York Times Book Review (February 27). In The Philadelphia Record, Charles Lee had already charged that the book was a German fabrication.

What Mr. Lee forgets, and Miss Boyle tends to underemphasize for all her first-hand knowledge, is the time at which the story appeared. The French text was published in February, 1942, and it was probably written before Pearl Harbor, when the German occupation still wore its mask of "correctness." In those days the French were still overwhelmed by a defeat that was both military and moral. Thousands of French intellectuals still believed in the possibility of friendship between the two nations, and there is internal evidence to show that Vercors, as the author signs himself, had formerly been one of them. Lately, however, he had changed his mind; and he wrote his story to change the minds of others. "The Silence of the Sea" was excellent propaganda when it first appeared, though I think its literary merits have been exaggerated. It has ceased to be good propaganda in 1944, but that is no reason for charging its author with being a creature of the Nazis.

After writing to several friends, I have at last obtained a second copy of the pamphlet "Writers Take Sides," which I mentioned in an article on American literature in wartime (The New Republic, December 6). I said at the time that although my first copy was lost, I could remember the contents. "Out of something like 418 writers who had answered a questionnaire, there was only one who favored Franco (it was Gertrude Atherton). Perhaps a score of others were cautious or undecided, but all the rest enthusiastically supported the Spanish Republic." I find now that my statement should be amplified. The pamphlet, which was published in February, 1938, by the League of American Writers, consisted of answers to these two questions: "Are you for, or are you against, Franco and fascism? Are you for, or are you against, the legal government and the people of Republican Spain?" There were 414—not 418—writers who submitted their replies in time for their names to be included. Mrs. Atherton did

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—*Charles Lee, Philadelphia Record*

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not favor Franco, except as against the Loyalists; she disapproved of both sides in the Spanish civil war. Her answer read in part:

> Only hypocrites or gullible Americans will deny . . . that the war in Spain is between Communists and Fascists. . . . I have no sympathy for any form of government but an honest democratic one, but if I had to cast a vote on the present Spanish question it would be for fascism, if only because fascism is frankly cynical and selfish, and does not pretend to be "democratic." . . . So, although I have no love for Franco, I hope he will mop up the Communists, and send home, with tail between legs, all those gullible Americans who enlisted to save "Spanish democracy."

Mrs. Atherton stood alone, not in her dislike of communism, but in her hope that Franco would win. Seven writers were listed as neutral and 406 as being for the Spanish Republic. The two questions were not well phrased, since Franco's supporters refused to admit that he was a fascist or that the Spanish Republic was legal. On the other hand, there were so few of these supporters in the writing profession that a more colorless questionnaire would probably have produced the same answers. And they were in general the right answers; that is the point to be made again after six years. At a time when writers were being condemned as political innocents and meddlers in affairs beyond their depths, most of them saw clearly the effect on Spain of what their own government was doing; and they saw how Franco's victory would affect the world as a whole. Today most writers favor a democratic policy in reconquered Europe, and they are still being dismissed as visionaries.

MALCOLM COWLEY

The Way to Abundance

The Tennessee Valley Authority, by David E. Lilienthal. New York: Harper and Brothers. 248 pages. $2.50.

OF ALL THE BOOKS I have read during the past twelve months, Lilienthal's on the TVA is to me the most exciting. It is exciting because it describes the new democracy in terms as real as a juicy steak. Curiously enough, there is nothing in this book to offend nine out of ten business men. Lilienthal makes the TVA live as an example of how a government-inspired project vastly increases the amount of free enterprise and prolongs it far into the future. The TVA not only enlarges the opportunity for free enterprise, but it is a model for decentralization, for true economic democracy, with the people participating in the decisions which affect their daily bread.

For the past ten years I have felt the greatest criticism of the New Deal was failure to take into account sufficiently and utilize fully new inventions, new technology and new science. This criticism cannot be made of the TVA. I quote from the book:

> There is almost nothing, however fantastic, that, given competent organization, a team of engineers, scientists and administrators cannot do today. . . . Today it is builders and technicians that we turn to: Men armed not with the ax, rifle and bowie knife, but with the Diesel engine, the bulldozer, the giant electric shovel, the retort—and most of all, with an emerging kind of skill, a modern knack of organization and execution. . . . And it is just such fruits of technology and resources that people all over the world will, more and more, demand for themselves. That people believe that these things can be theirs—this it is that constitutes the real revolution of our time; the dominant political fact of the generation that lies ahead.

Never has Roosevelt appeared to greater advantage as a statesman laying down the blueprints for our domestic future than in his joining of hands with George W. Norris in fathering one of the two or three most significant contributions of the New Deal. Roosevelt always loved water, and especially rivers. He saw in them power, flood control, navigation and the conservation of soil and trees. Seeing these things, he insisted that the TVA legislation be broad enough so that, with the Tennessee River serving as a focus, the people in the valley could be helped to help themselves in terms of the great American tradition. Take a look at the valley in 1933 and then look at it again in 1944 and you will know that the New Deal is a very living thing. You can see it in the copper wires which have brought electricity to many thousands of farmers who never had it before. You can see it in the terraced hillsides where the crop yields have been increased faster than elsewhere in the country. You can see it in the great dams and beautiful lakes. There are boats on the lakes, fish in the lakes and recreation on the shores. Moreover, the lakes represent power and flood protection. They represent commerce.

Most of all, the TVA means people planning together in their own community for their own welfare. This planning is not something abstract and remote. It has to do with things which lie close at hand—soil fertility, fertilizers, erosion control, tree planting, deep-freeze machines, factory development, barge transportation, etc. Under the TVA system people can not only talk about these things, but do something about them. There has always been something unreal about political democracy without economic democracy. The TVA points the way toward combining the two.

I never suggested a TVA on the Danube. That was done for me by the president of the National Association of Manufacturers, who did not hesitate to make other misrepresentations as well. It is not the business of the United States to build TVA's elsewhere in the world. Just the same, I hope other nations will want to build TVA's of their own. There ought to be a TVA on the Danube, another on the Ganges, another on the Ob, another on the Parana and another on the Amazon. We can give technical advice as to the way to do the job and can even furnish on a low-cost-amortization basis the modern types of machinery necessary for building dams. It will be perfectly safe for the United States to do this because the Tennessee Valley experience proves that the investment can be self-liquidating. An American friend of mine who gave a talk on the TVA in England recently received a letter from an Austrian engineer who had been in his audience, as follows:

> Many possibilities suggest themselves for application of the TVA idea to European problems. The most direct I could think of is its application to the Danube, or, if you dare to stretch it so far, to the Rhine-Main-Danube system of hydro-electric power generation, navigation, water control, etc. The Danube and its tributaries run through half a dozen states in Europe's trouble center. Though there has long been an international Danube commission in existence, nothing like a TVA exists. A TVA on the Danube would be a powerful peace element which

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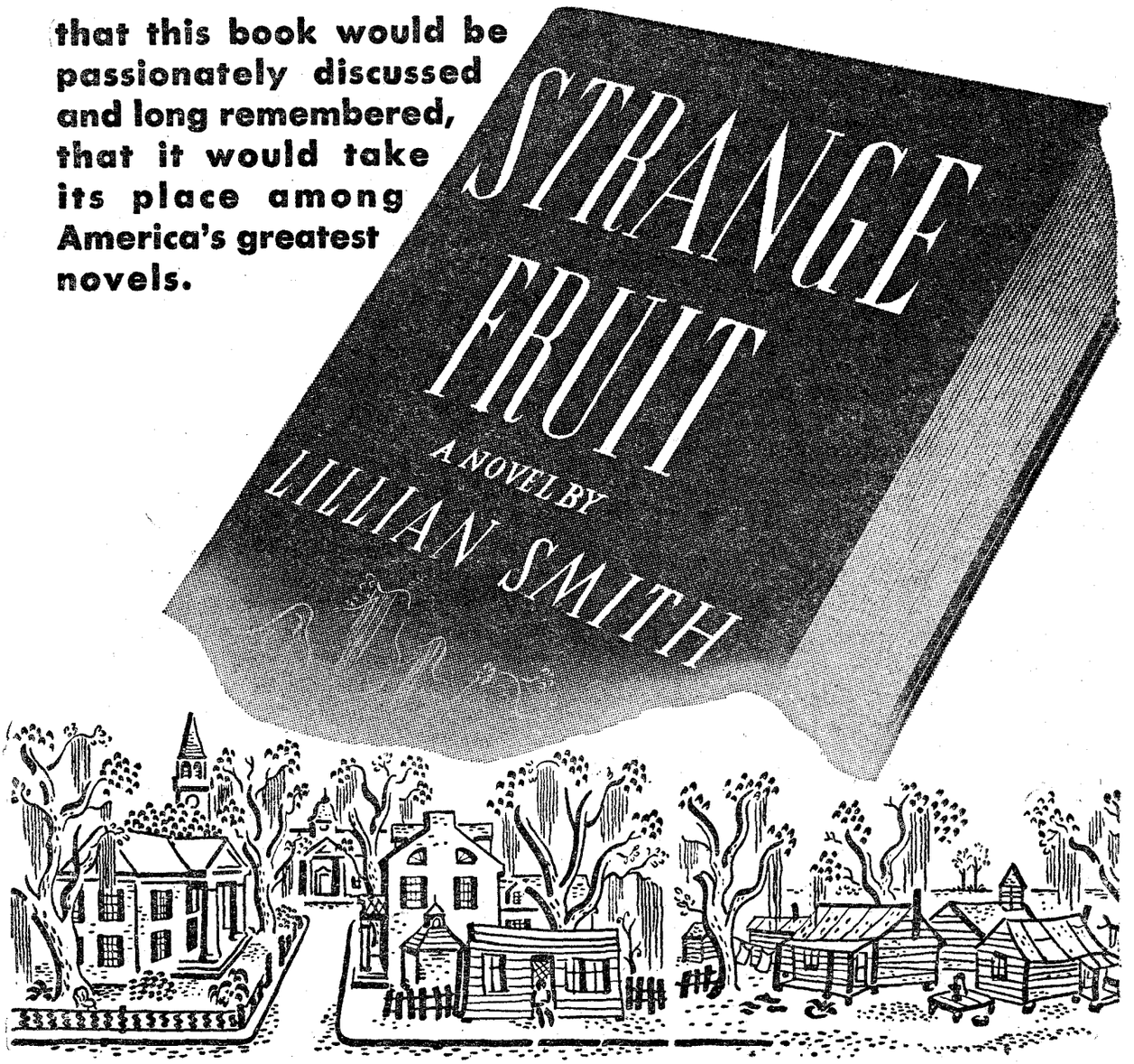

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would yield a great economic and political influence and which would go a long way to help the countries of Central and Southeastern Europe in reconstruction and in linking up their economic interests on a not too controversial basis. There might be a chance to create such an authority in the framework of a future peace settlement, be it under a new League of Nations or another power, if. . . .

Valleys are much the same everywhere and the people who live in the valleys are all interested in soil, flood control, soil erosion, reforestation, power development, navigation, fishing and recreation. Dave Lilienthal dreams of the day when the new democracy will march into a thousand valleys and the free enterprise of the new democracy will permeate into millions of farm homes and into the small businesses prospering on the basis of cheap electric power and productive farm lands.

In conclusion, I want to say that one of the most amusing things about the TVA is the way in which the lower electric rates forced by the TVA on the private utility companies increased the prosperity of these same companies. The TVA points the way toward the Kingdom of Abundance, even for those who entered that kingdom unwillingly.

H. A. WALLACE

The Best People's War, etc.

Shore Leave, by Frederic Wakeman. New York: Farrar and Rinehart. 310 pages. $2.50.
Waters Over the Dam, by Harry Harrison Kroll. Indianapolis: The Bobbs-Merrill Company. 299 pages. $2.50.
Swing the Big-eyed Rabbitt, by John Pleasant McCoy. New York: E. P. Dutton and Company. 283 pages. $2.50.
The Lord Is a Man of War, by Stanley F. Donath. New York: Alfred A. Knopf. 338 pages. $2.50.

Lt. (j.g.) Andrew Crewson, of Columbia University and Great Neck, Long Island, "handsome to both sexes," Lt. Walter Wallace, who is the "I" of "Shore Leave," and Gwynneth Livingston ("you could tell from the way she handled herself that she was from a good family and a good school") are of that numerically small class who have been treated so handsomely by the novelists of the last twenty years or so. This is not to suggest that "Shore Leave" is another "The Beautiful and Damned" or "The Sun Also Rises" or even, dropping several levels, another "Butterfield 8," but its characters could walk into any of those books and not feel out of place, socially at least.

The narrator, a Naval Intelligence officer, returns from the Pacific to San Francisco with four fliers on a medical survey. Installing themselves in a hotel suite, they launch forth on a series of alcoholic and amatory exploits that end only with the book, when three of them are preparing to return to battle; the fourth has been retired to inactive duty because of nervous instability. In the meantime Crewson and Gwynneth have fallen in love; more or less permanently in her case, transiently in his. If there is any plot or "point" to the book it is that Crewson is unable to maintain such a responsible and complex relationship as love for a period of more than a few weeks. Crewson tries to make himself believe that he's giving Gwynneth up for her own good, but he is honest enough to realize that he is more than a little bored with her, as he is completely bored with his wife back in Great Neck, with almost everything except combat flying.

To those who run to illusions about the nature of war this picture of how the world of high-breasted, long-legged women, trailing clouds of Chanel Number 5, Bergdorf-Goodman and brandy, and their flat-stomached, out-of-the-corner-of-their-educated-mouths-talking men have gone to war may not be pretty. But beneath the flow of his non-committal narrative I think Mr. Wakeman is trying to say that, like Brett Ashley and Dick Diver before them, these best people at their worst have a code, unnamed and inviolable even in the breaking, that dignifies, if it does not justify, their way of life.

If Mr. Wakeman has reported the conversations of his three main characters accurately, we have here another example of the way in which life, consciously or unconsciously, imitates art. Ernest Hemingway is apparently doomed to spend his declining years listening to approximations of the accents of his early characters. But where Hemingway and Fitzgerald raised their rather trivial characters to legendary figures by the authority of their art, Wakeman's humbler talent leaves his pretty much where he found them.

In a flashback to the youth of one of Wakeman's flyers there is a passage describing his extra-curricular activities with his high-school history teacher that recalls the amusing similarity between the plots of two other recent novels:

"Waters Over the Dam" is a warmly written, unpretentious novel about the coming of age of an Alabama farm boy. The plot centers about the conflict between Danny's tender love for his employer's daughter and his lust for his school teacher, an older and considerably more experienced woman.

"Swing the Big-eyed Rabbit" is a warmly written, unpretentious novel about a back-country Virginia farm boy's coming of age. The plot centers about the conflict between Artemis' idealized love for one of his schoolmates and his lust for his school teacher, an older and considerably more experienced woman.

Each book is a rather good example of the *genre*. The hardships of rural life and its cruelties and frustrations are side by side with the high pleasures of youth and country living. For the city-bred, however, the chief reaction must be that school was never like this.

To return to the wars: in "The Lord Is a Man of War" Mr. Donath brings the paraphernalia of the "serious" novel to a story which in its accumulation of implausibilities alone causes the serious attention of the reader to flag while his absorption in the melodrama mounts. A young Czech refugee leaves the safety of New York to reënter the European nightmare in order to avenge the death of his father. His adventures are probably no more incredible than those of actual travelers on that continent today, but by a now familiar paradox fiction cannot afford to be as strange as truth. The next time out Mr. Donath had better make up his mind whether he is going to devote his considerable talents to a Helen MacInnes-Geoffrey Household book or a Hemingway-Koestler book. Better still, he should write his own ticket.

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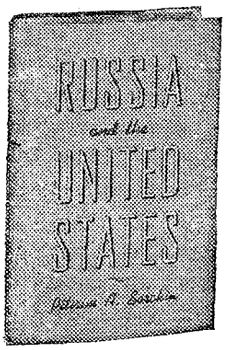

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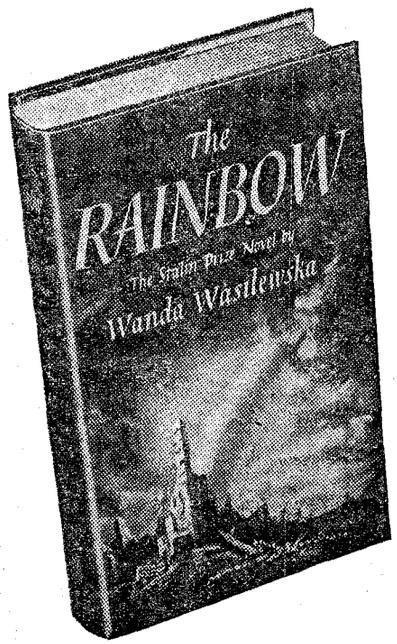

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Wanda Wasilewska is now a war correspondent with the Red Army, and is also the leader of the Union of Polish Patriots organized in the U.S.S.R. Over 500,000 copies of *The Rainbow*, her fourth novel, have been sold in Russia. Price, $2.50

THE RAINBOW

By Wanda Wasilewska

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The Teaching of History

American History in Schools and Colleges: The Report of the Committee on American History in Schools and Colleges of the American Historical Association, the Mississippi Valley Historical Association and the National Council for the Social Studies. New York: The Macmillan Company. 148 pages. $1.25.

THE TROUBLE with reports and surveys is that nobody reads them. We need a survey to survey the fate of surveys. Though my researches have not been extensive, I have so far found only one historian who has read this report on the status of American history in our schools and colleges. He was a member of the committee of fourteen who drew it together. If it is not widely read and if its proposals—or most of them—are not taken seriously by professors of history, schools of education and state departments of public instruction, the waste in opportunity will be great. In spite of some limitations, which I shall point out, it is a significant document both in what it says and in what it fails to say. Its great virtue is its realism. With good will and coöperative effort, most of the 23 proposals categorized in the last chapter, "As We See It," might be carried out.

The report has a threefold origin. In December, 1942, the Council of the American Historical Association authorized a study of the state of American history in the colleges. (The results of the study appear in Chapter Seven of the present report.) In April, 1943, the Mississippi Valley Historical Association set up a Committee on the Teaching of American History in the Schools and Colleges, to analyze the situation and state principles. One of the impulses behind this action was evidently the nationwide argument provoked by The New York Times report (April 4, 1943) that 7,000 college freshman in 36 institutions showed, on examination, an alarming ignorance of United States history. The final stage of the movement which led to the drawing up of the present report was the establishment of an identic committee to supervise it by the Mississippi Valley Historical Association, the American Historical Association and the National Council for the Social Studies, with Edgar B. Wesley as director.

The first question the committee asked was, "Do Americans know their own history?" They sought an answer by means of a multiple-choice examination of 65 questions given to several hundred high-school students, military students in the colleges and social-studies teachers, a group of persons listed in "Who's Who," and selected adults. The committee's conclusion is that though Americans may be short on factual information, they do in general "know a reasonable amount of American history." One is constrained to ask at this point, why, if this is so, there was any need for going further with the report. It is doubtful if the results of this probative examination should be contemplated so blandly.

Though one must agree with the committee that understanding of American history results from slow growth and that adults will have a greater insight than high-school students from merely having lived longer, one startling fact emerges in this chapter which ought to have disrupted

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the complacency of the committee's judgment of the returns. To see the significance of this fact some of the surrounding evidence must be presented.

The maximum score for the test would be 65. The median[1] for the social-studies teachers—the group which scored highest—was 45. For the high-school students the median was 22. But the median for boys who had not studied American history in high school was 23; for those who had taken the subject the median was 24—a difference of only one point. The committee notes this striking fact but assures us that we are not to conclude that the instruction of these high-school students was "either meager or ineffective."

The complacency evident here persists in the fourth chapter, "History Beyond the Classroom," the weakest section of the report. The thesis of this chapter is that the American adult has abundant opportunity to increase his knowledge of the history of his country, surrounded as he is by such beneficent instruments of instruction as the movies, the press, the radio, the public library, historical museums—all of which, it seems, are devoted to the dissemination of truth. We should, of course, be slightly on guard against movies which are not too accurate in interpreting history, though they may reproduce the details of everyday life in the past most faithfully. Historical novelists are a little prone to present only one side of the case. The newspapers, it would seem, are entirely dependable. Even The Chicago Tribune or The New York Daily News may evidently be relied on for an impartial record of the present administration. The naïve trustfulness of this chapter is shocking. If the teacher of history is not prepared to give the lie to the daily perversions of the truth about our past which are flicked at us from the screen and suavely whispered from the radio, then who will keep the record straight?

Fortunately this chapter is out of line with the rest of the report. Two chapters, "Why Should Americans Know Their Own History?" and "Public Opinion and History Teachers," are excellent general essays, conspicuously wise and courageous. Much good might result if they were widely reprinted and discussed. Of the more factual chapters, "American History in the Classroom" is useful in proving that the number of courses in the schools as prescribed in the statutes of the various states is sufficient. Improvement is to be sought by the means described in the chapters on "Recommended Content for American History Courses" and "The Social Studies Teacher." The committee recommends—and this is its most far-reaching proposal—that each school in the country offer three courses: one in the middle grades to be called "How the People Lived" and to deal mainly with the colonial period; a junior-high-school course in "The Building of the Nation"; and a senior-high-school course, "A Democratic Nation in a World Setting." Once this uniformity is obtained, with plenty of leeway for the teaching of regional and local history, further improvement in the general situation should be sought by making certain that social-studies teachers are better qualified than they have been in the past.

In reading the chapter on the qualifications of the teach-

[1] "The median is the score that lies in the middle of the distribution when all scores have been arranged in order of size."

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ers themselves, an outsider must marvel at the complexity of the situation and the concessions which the beleaguered historians feel they are required to make to the social-studies crowd and the professors of education. Even if the reforms here proposed were effected, the picture would still be a not very happy one for the bright boy or girl in college who has the "call" to teach history in the public schools. As it is, he now enters a profession where the utterance of his honest opinion on public questions subjects him to the danger of losing his job, where the good salaries go to those who specialize in the endlessly reduplicated courses in education, where it is expected that mediocrity must be constantly prodded. Even the changes in the training of history teachers proposed by the committee do not suggest that any younger teacher would ever be so possessed by his subject that he would be able to go it alone, without the aid of "inspiring supervision" and the reward of alertness credits.

WILLARD THORP

The Negro in the United States

Characteristics of the American Negro, edited by Otto Klineberg. New York: Harper and Brothers. 409 pages. $4.

OTTO KLINEBERG has done an excellent piece of work, editing, assembling and giving unity to an assortment of monographs arising from research under the Carnegie Corporation's project for this, the final volume of "The Negro in American Life" series. Starting with an article by Guy B. Johnson on "The Stereotype of the American Negro," for which the author draws materials from general and scientific writings of both Negroes and non-Negroes, the volume may be regarded as an attempt to examine some of the crucial factors in this stereotype.

Klineberg's two articles bring up to date studies of racial differences as indicated by tests of intelligence and personality, with which those who had read "Race Differences" (1935) are already familiar. The study of "race" attitudes, by Eugene L. Horowitz, embodies much hitherto unpublished material, including the results of a Fortune survey conducted specifically for the Carnegie study. Part V, by Louis Wirth and Herbert Goldhamer, deals with "The Hybrid and the Problem of Miscegenation." A statistical analysis of mental disease among American Negroes, by Benjamin Malzberg of the New York State Department of Mental Hygiene, concludes the volume.

"Characteristics of the American Negro" provides powerful ammunition in the scientific attack on racist dogmas. The differences between Negroes and whites with respect to intelligence, personality traits and incidence of mental disease indicated by Klineberg and Malzberg are demonstrated to stem from unfavorable social and economic life-situations which handicap the Negro. It might be said that, since the hypothesis of innate racial inferiority is discredited in the minds of those who have taken the trouble to acquaint themselves with the facts, this piling up of evidence against the idea of inborn Negro inferiority would seem to be unnecessary. Yet the sections on attitudes toward race, and on miscegenation, provide ample evidence that most Americans have not troubled to learn facts. Horowitz's

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study indicates how strong an element in North American culture race prejudice really is; fed, as he shows, by psychological maladjustments which are the correlates of anxieties themselves stemming from American economic and social patterns. It is because of this that the persons likely to be without prejudices are those who, for one reason or another, have adopted nonconformist attitudes in general.

The article by Wirth and Goldhamer, though principally a sketch of earlier and fairly accessible materials, includes as an original contribution a study of interracial marriage. An unflattering light is thrown on certain "Characteristics of the American White" by the authors' analysis of anti-miscegenation laws in thirty of our forty-eight states which seem largely based on considerations having no validity for modern genetics.

A slight reservation might be entered as to the aptness of the title. Even in terms of the list compiled by Johnson in the first section, only a few characteristics of the Negro are considered. Moreover, the "American" Negro discussed by the monographs is actually only the Negro in the United States. It should be remembered that a consideration of South American and West Indian Negroes—also "Americans"—would in all likelihood give us a somewhat different list of characteristics. The work is interesting as well as scholarly, however, and deals in a timely fashion with one aspect of an outstanding sore spot in American life. Klineberg's concluding statement is worth quoting:

> As a part of the American people, Negroes partake of the psychological quality of all Americans. What differences there are appear to depend on existing discrepancies in the opportunities offered to the two groups. When these discrepancies will have been completely eliminated, there probably will be no further reason to write a psychological volume on "The Characteristics of the American Negro."

RICHARD A. WATERMAN

A Reader's List

ONE WHIRL, by Sidney S. Baron. Illustrated by George Grosz, with an introduction by Mortimer Hays. (Capitol Publishing Company, hard cover, $1.50; soft cover, $1). Now that Hitler had blown his brains out and Japan appeared done for, the most explosive issue of the day was the task of deciding which nation's soil should nourish the peace conference. Each victor hastened to claim the honor. National tempers flared, grievances mounted, war threatened—but none too soon it was agreed to hold the meetings aboard the HMS Resolute, in the middle of the Atlantic Ocean. When the mixed company was assembled, the ship proved to be a floating arsenal of toryism, thinly disguised fascist hopes, senile befuddlement. Although the satire is occasionally labored, Mr. Baron has written an effective warning and indictment. The book contains twenty-seven line drawings by George Grosz, who with a wonderful resiliency has managed to express twice in a generation the savage shock of betrayed and outraged humanity.

THE FRENCH RIGHT AND NAZI GERMANY, 1933-39, by Charles A. Micaud (Duke, $3.50). This scholarly background of the French Right—of Vichy France, in other words—might have been titled more appropriately "Gau

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Frankreich of the NSDAP." While the French variety of fascism differed from the German in many respects, the French prewar fascists did Berlin's dirty work none the less. French fascism never concealed its reactionary character—it was indeed the reaction of France's "big bourgeoisie" against her democratic and socialist movement—behind pseudo-revolutionary phrases. Its nationalism, unlike Nazism, was sophisticated rather than vulgar, cynical rather than primitive. Its weakness lay in its inability to produce a native "führer" and bring about a fusion of its numerous splinters. Otherwise France might have turned fascist long before the Pétain-Laval spectacle. But that French fascism was a German dependency clearly appeared from its advocacy of pacifism in the decisive years between 1933 and 1939, an altogether novel development in the history of the French Right which had always been outspokenly militaristic. Micaud's book is an excellent case study of the propaganda techniques of the Fascist International.

THE FACE IN THE ASPIC, by Thomas Mario (Simon and Schuster, $2). This is subtitled "Tales of Club Life Among the Overfed" and so it is—with a vengeance. As chef-steward of one of the most exclusive clubs in America (could it be the Racquet?), Mr. Mario was strategically placed to see the more unlovely qualities of the male members of the best families, and he doesn't spare the horses. Don't miss "Ladies' Day" and "Playboy on a Budget," two chapters in which the author and his material are at their best. Where you working now, Mac?

BUNDLE OF TROUBLES AND OTHER TARHEEL TALES, edited by W. C. Hendricks (Duke, $2.50). A few years ago North Carolina—white and black—was combed by the literary arm of the WPA in search of folklore. Out of the material collected, most of it from non-literary folk, dealing with ghosts, hants, whangdoodles, witches, extraordinary flora and fauna and many other outlandish and *outré* phenomena, these thirty-seven tales in local dialect have been edited and published. Some of them aren't much, others are delightful. "Putting the Fixment on Mr. Bullfrog," for example, is worthy of Joel Chandler Harris, and "Jake Sells a Dog" would fit nicely into a collection of stories by Erskine Caldwell.

Contributors

J. Lacey Reynolds is the Washington correspondent for The Nashville Tennessean and other newspapers.

Langston Hughes is the author of many volumes of prose and poetry. His latest book is one of light verse, "Shakespeare in Harlem." He has done the lyrics for the current war song, "Freedom Road." Mr. Hughes is a columnist for The Chicago Defender, one of the largest Negro newspapers.

Henry A. Wallace is the Vice President of the United States.

Willard Thorp is associate professor of English and chairman of the Program of Study in American Civilization at Princeton University.

Richard A. Waterman is in the department of Anthropology at Northwestern University.

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By ERVIN HEXNER

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Cartels

The Menace of Worldwide Monopoly

Introduction

People in all countries have been talking about an international government after the war. They are thinking about a government to represent them and safeguard their interest in peace and abundance. But there was before this war, there is now, and there bids fair to be on an even greater scale after it, an international government of a different kind. This government operates in privacy and without elections. Its purpose is the enhancement of great private wealth. It wields the enormous power which goes with concentrated money. This it can do without much popular knowledge of its activities, because it builds its power by influencing the few rather than by giving an account to the many. The government in question, which operates primarily in economic affairs, but also has an immense political importance, is that provided by international cartels.

What Is a Cartel?

The simplest possible definition of a cartel is to say that it is our old enemy monopoly, which we tried to make illegal in the United States many years ago, now streamlined and operating on an international scale. But if one goes beyond that simple statement, the definition becomes difficult. There are as many kinds of cartel arrangements as there are colors in the spectrum, and they shade into each other in much the same way. While technicians in the laboratory have been busy, with their marvelous ingenuity, the technicians of corporate law and business organization have been equally busy, and with equal ingenuity. Some of their products are just as complex as the new chemical compounds, though they have not been given equal publicity.

Corwin D. Edwards, of the Department of Justice, in a monograph prepared for the Senate Military Affairs Committee, roughly classifies cartel methods of organization in three groups, as follows:

1. *The Association.* This is an old and familiar type of restriction of competition by means of a trade agreement among nominally independent firms. They may adopt rules and regulations to fix prices, limit and apportion output, allocate territories, redistribute profits according to a formula or sell exclusively through a joint agency. This is the most vulnerable kind of cartel, since unless its agreements are enforcible under the law, the members may break their contracts or engage in chiseling. It is actually illegal in the United States, and is more prevalent in Europe.

2. *The Patent-Licensing Agreement.* This is a newer and often more intricate device, depending on the legal monopoly conferred on the owner of a patent. When technological advance is rapid, as in the modern world, many important products, or the processes used in manufacturing them, are patented. When the basic patents are about to run out, an improvement, real or invented for the purpose of retaining control, can usually be devised. Agreements between various companies to license their patents to each other may divide either geographical territory or the right to sell specific kinds of products; they may control prices and output as well.

The intricacy of this kind of arrangement is due to the fact that it consists in a number of separate licenses or agreements covering particular processes, and there is great variation in the terms of such agreements. Yet all taken together add up to monopolistic power. For instance, Mr. Edwards points out that before the war

> there were comprehensive patents and processes agreements between du Pont and Imperial Chemical Industries [of Great Britain] and between I. G. Farbenindustrie and Standard Oil Company of New Jersey. There was a gentleman's agreement between du Pont and I. G. Farbenindustrie by which each was to give the other first option on new processes and products not already promised to third parties. There was apparently a comprehensive working arrangement and certainly a series of working agreements as to specific products between Imperial Chemical Industries and I. G. Farbenindustrie. Around this central pattern were grouped various lesser alliances among other companies, and many special agreements among manufacturers of dyestuffs, plastics, explosives, pharmaceuticals and other chemical products. The chinks of the structure were filled by numerous small patent-license contracts which contained restrictive features.

Note what Mr. Edwards is saying here. Two of the biggest companies in the United States, which ordinarily we think of as separate, were linked with the chemical monopoly in England and the chemical monopoly in Germany—and so with each other. All four formed the center of control for numerous other manufacturers of chemical products. Such products nowadays are primary in both war and peace, from the powder in our bombs to the colors in our clothing and the medicines we take. Together, this gigantic monopoly parceled out the world market among the companies involved.

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3. *The Combine.* This is a form of control through corporate ownership and contracts of varied kinds; it is sometimes more intricate and difficult to trace than even the licensing agreement. Often the two are combined, as where corporations which have exchanged patents own subsidiaries in common.

Did you ever hear of N. V. Philips? It is the name running through a large number of companies organized in different countries, which make and sell electric-light bulbs, radio equipment and electrical supplies, some of which have no apparent connection. But there is unity of control through a common ownership. This control was before the war exercised by a Philips company in Holland, which in turn was controlled by a company with only ten effective voting shares. At present the control is exercised by two groups—one presumably for the countries under the Axis, and one for the others. The interests of the latter in turn are managed by two groups of trustees, one in Hartford, Connecticut, and the other in London, and a holding company in Curaçao. There is a probability that the whole business will be reassembled again as before when the war is over. N. V. Philips as a whole also has contracts with other great organizations in the same business.

In addition to these forms, one might cite the cartels which are held together by specific governmental support, or by international commodity agreements, like the rubber cartel subsequently described.

Why Cartels Are Important

The importance of any plan for governing the activities of men is partly dependent on its extent. Geographically, cartels cover the whole world. Not every one includes every country—for there are special circumstances which necessitate omissions. For instance, it is useless to try to exercise the powers of an international monopoly in a country where the domestic business in question is not subject to monopoly in one way or another.

Cartels are important also in their extent over industries and products. From the illustrative cases described in this supplement it might appear that they cover only a narrow range, and that as consumers we cannot be much affected by anything they may do. But the same methods are applicable, and have in fact been applied, to a much larger list. Any natural product of mining or agriculture, the ownership of which can be concentrated, is subject to monopoly. Any process of manufacture or any fabricated product which can be held under patents can be monopolized. The degree of monopoly conferred by the necessity of heavy investment to enter an industry, as in steel, permits cartellization. And even though the industry which directly makes the product we buy is competitive, the chances are 99 in a 100 that its costs contain quite a tribute to the cartel empire.

Consider food, for instance. Farmers, of course, compete with one another—except in so far as the farm bloc in Congress holds up minimum prices. But farmers have to buy cartellized fertilizer, insecticides, agricultural machinery, electrical equipment, and many articles of which cartellized rubber forms an indispensable part. The tin cans in which processed foods are packed contain cartellized tin. The refrigerators in which we keep our food are subject to patent royalties. So are the electric bulbs which light our refrigerators and our kitchens. So are the patented appliances which we use to prepare our food.

There is probably no more competitive industry in the United States than those which make textiles and clothing. But they have to buy cartellized dyes and other chemicals, and they need their share of metals, rubber and all the other general necessities out of which cartels make their profit and build their power—not to mention patent-controlled rayon and nylon.

Cartels and the Consumer

The principal reason for the formation of any monopolistic device is to fix prices higher than those which would obtain without it. This fact is sometimes masked by price reductions made by cartels. The price reduction may result from lowering of cost. It may be necessitated by the desire to bring a competitor into line or to maintain sales in competition with a different kind of product which is not controlled. Of course the cartel is after the maximum possible profit, and occasionally it can make more by selling a larger quantity at a lower price than by selling less at a higher price. In all these cases, however, the price results from an administrative decision rather than from the impersonal forces of the market, and in most of them the price is higher than it would be if competition prevailed. Cartels charge whatever the market will bear.

There are many cases in which the prices are exorbitant. Tungsten carbide, used for edges of cutting tools, sold in the United States in 1927-28 at $50 a pound. Then came an international patent-pooling agreement and a division of markets. The price promptly rose to $453 a pound. It seldom went below $225 during the depression thirties, and in 1940 was still selling at a maximum of $205. After an indictment under the anti-trust laws, the price in April, 1942, ranged from $27 to $45.

A chemical plastic was sold to commercial molders for 85 cents a pound, while the very same product cost dental laboratories and dentists $45 a pound.

Atabrine, a chemical substitute for quinine, is sold to the United States Government for war purposes at $4.50 per thousand tablets, by companies whose licenses under the patent will terminate six months after the end of the war. Presumably they are making a good profit. The same substance costs civilian consumers $12

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per thousand, as sold by Winthrop, a company which obtained monopoly patent rights for the civilian market under an agreement with I. G. Farben, the German owner.

These are only a few illustrations picked from thousands of cases.

Consumers also suffer because the absence of competition deprives the maker of any incentive to improve quality. Sometimes he actually lowers quality, to get a larger volume of sales or to protect another product in which he has an interest. For instance, Corwin Edwards charges that General Electric has reduced the life of lamp bulbs and discouraged bulb-testing by purchasers. The lamp manufacturers have also been reluctant to introduce the much more economical and longer-lived fluorescent lamps for household use. The du Pont Company, having developed a pigment which could be used either in paint or in textile dye, held it off the market pending a way to make it useless as a dye, in order to maintain the prices at which other dyes were selling. If it were to be used by paint manufacturers, it would have to sell at considerably less than the current prices of dyes. One of the methods proposed to make it unfit for dye, quoted from a memorandum of a conference on the subject, was as follows:

> It is known that certain resins and solvents are irritating to the skin, often causing dermatitis. It might be possible to formulate a CPC composition which will make textile materials irritating to the skin.

It would be interesting to women who have suffered from dermatitis as a result of contact of fabrics with the skin—and there have been plenty in recent years—to know whether this method was actually adopted, and whether some of the paint pigment may not have been "bootlegged" into the textile trade.

Akin to the lack of improvement or actual deterioration of products is the stifling of technological advance in the matter of new products. An enormous amount of research is done by companies belonging to cartels; big business loves to boast about the debt which science and technology owe to private enterprise. Never have we been more plied with tales of the marvels of new products from the research laboratories than during the war, when the new products cannot be bought. But much of the research is for the purpose of making minor modifications to hold patent rights. And while some new products and methods do see the light of day, some do not, and those that do are often held off for years in order to protect established investment from obsolescence. Numerous instances have been cited in the past. We now begin to hear that after the war we shall be offered the same old models and products; it will be a long time before the things offered for sale live up to current publicity.

In addition, the big concerns often discourage research by others who might turn up as competitors, and they are dead-set against any research by government, which would be available to all.

Cartels and International Peace

It used to be said that whereas internationals of labor had failed to preserve the peace at the moment of crisis, internationals of capital would do so. They not only did not do so, but helped the German war machine to build its power, and assisted in weakening its enemies.

Germany has perhaps been the principal home both of cartels and of technological advance by industry. Almost every leading concern in other countries which participated in cartels was affiliated with a great company in Germany. Through inter-company licenses and agreements, the Germans learned our technical secrets and used them, while they often succeeded in preventing the development in this country, in England or elsewhere of new processes which they were exploiting. By territorial division of markets, cartels helped the Germans to build up their influence in Europe and Latin America. This story has now been told a number of times, in relation to synthetic rubber, optical instruments and other critical materials.

For instance, the American Bosch Corporation supplied its German affiliate with technical information based on experimental work by the United States Navy and the Signal Corps, which it received as a bidder for government contracts. This information became the basis of intertank, ground-air and infantry radio communication in the German army. In 1938 Standard Oil of New Jersey gave I. G. Farben full information about its butyl-rubber process, but failed to elicit in return the technical information about I. G. Farben's buna process. While waiting for this information, Standard exerted pressure to retard the development work of other American companies in synthetic rubber, for fear of competition. Standard finally got the German patents in 1940, but never received the technical information, and had to work it out.

It was through cartel procedure that Germany brought the manufacture of arms and strategic materials in much of Europe under her sway. During the war, disguised and indirect cartel arrangements, maintained in the interest of renewing international monopoly in the coming peace, have presented formidable obstacles to the United States Government in carrying on economic warfare and counter-espionage, not to mention obtaining enough strategic materials or obtaining them at a reasonable price. Seizure of enemy property has been forestalled in some cases by the transfer of German corporate property to neutral or American companies, with the tacit understanding that it is to be transferred back after hostilities have ceased.

Just as support of appeasement sentiment before the war came from cartel sources in Britain and the United States, so now we shall probably see support from the same sources for a settlement which will maintain the

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power of German heavy industry, so long as it is in private hands. But if Germany goes socialist, or in any other way threatens to disrupt the cartel pattern, the demands for vengeance from these quarters will be shrill. We may expect to see the cartellized companies and those whom they influence oppose any international economic agencies or any international government that may threaten to destroy the fabric which they have woven or to bring them under control in the interest of the public or consumers. Just as they have been indifferent to, or even supporters of, the growth of fascism before the war, they will not hesitate to resort to extreme measures after it.

British cartel spokesmen have advanced their own plan for world peace—one based on universalizing cartels and giving them the support of the British and American governments. Lord McGowan of Imperial Chemicals has come out for the repeal of the Sherman Act in the United States. Sir Edgar Jones of the international tin-plate cartel is promoting a World Trade Alliance, and has said: "If Great Britain and the United States will take the lead and get the producers of each main product to prepare schemes for world export regulation, then general employment can be insured." This would, he added, facilitate the regulation of production within each country. How cartel practices would promote the large production which would be necessary for an economy of abundance he does not make clear.

Worldwide plutocracy is advocated as a desirable substitute for competition for markets among the great industrial nations. But it would not prevent Germany from preparing for a new war—and it is to be noted that cartels are heavily interested in military production. Nor would it prevent growing hostility between the big industrial nations on the one side and the less developed countries which they would seek to exploit on the other. Above all, the chances are strong that it would lead us straight to a conflict with Russia, and any other socialized states.

Cartels and the Four Freedoms

By monopoly, an economic government of international cartels would restrict access to raw materials and would make impossible achievement of freedom from want. It would of course be the enemy of democracy in any real sense. It would even, in the capitalists' part of the world, restrict freedom of enterprise. Some big business men who cry the loudest against government bureaucracy and in behalf of the sacredness of private enterprise are really intent on maintaining private business with a minimum of enterprise on the part of anybody but themselves.

This would, for a while, be a nice comfortable little world in which controlled prices would vary little, great aggregations of capital would be safe, improvements would be introduced with due deliberation and there would be a large continual residue of unemployed to check the enthusiasm of labor for rapid advance. It would be a world in which colonial peoples would progress slowly, if at all, out of their industrial backwardness. But it would also be a world in which new investment would lag behind the propensity to save, farmers would again get the short end of the stick, and in the end a crash would be sure to come, because people would not have the purchasing power requisite to buy even the limited product offered at monopoly prices. Capitalism would ultimately be just about as secure in a cartellized world as France was in 1929 behind the Maginot Line.

The Rubber Cartel

Perhaps no cartel described in this section has exerted such a direct impact upon the United States as those which have controlled the world's production of both natural and synthetic rubber. America is the largest rubber-consuming country in the world. Yet, ever since the Stevenson Plan was inaugurated back in the twenties, our crude-rubber imports have been controlled by the whims of an international monopoly. In order to escape complete dependency upon the natural-rubber cartel, the invention of synthetic rubber was stimulated in this country—only to have synthetic rubber, in turn, fall under the control of a powerful patent cartel. Even this may not represent the last word in rubber monopoly. There have been several recent indications that the natural and synthetic-rubber interests may unite into a single combination after the war. The policies of the present cartels furnish some indication of the public danger of such a combination.

The Natural-Rubber Cartel. – Since the early 1930's natural rubber has been controlled by a governmental restriction plan known as the International Rubber Regulating Committee. This cartel includes the United Kingdom, India, Siam, France and the Netherlands. At the beginning of this year, the IRRC's cartel held a solemn meeting in London, as it has every year since the war started, in order to preserve the administrative framework and quota system of the natural-rubber cartel. But instead of favoring the press with their usual handout of dull speeches and announcements of quotas that the war has made meaningless, the three remaining members of the committee made a really important announcement: The International Rubber Regulation Agreement, which expired in December, 1943, will be renewed for only four months, at the end of which time the committee will officially cease to regulate the planting, production and exports of rubber. The committee,

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it is asserted, will then devolve into a research agency, with consumers and producers alike free to join. Unfortunately, most newspapers have become so tired of the committee's pronunciamentos that only The London Times bothered to report this one, and its significance has been generally overlooked.

According to the Times account, the Regulation Agreement has been given its short reprieve merely in order that the committee may finish working out plans for the cartel's transmogrification. There will be no resumption of the IRRC's attempts to regulate rubber, since the committee has come—somewhat belatedly—to recognize that "for the duration of the war, maximum supplies from every available source are essential." The new framework now being developed by the committee will only be tentative, and it is hoped that after the war an international conference will be held to iron out its details. Apparently the chief function of the new committee will be to collect and disseminate information, to promote the long-term welfare of rubber producers and consumers. The Times enthusiastically states that "the action here foreshadowed differs so much from the handling of the old scheme that it seems plain there has been an important change of policy in the last 15 months. . . . This change was already noticeable in the British Declaration of Principles, submitted to the Inter-Allied Food Conference at Hot Springs last summer, which expressly demanded that the prewar practice of restriction should be abandoned and that a general policy of expansion should take its place."

If, by any chance, this statement really represents a genuine change of policy on the part of the cartel, it deserves the widest possible publicity. It would mark the end of one of the most powerful raw-materials cartels, and possibly provide a working model for international action to solve the problems which lead to the formation of such monopolies. It would be a welcome sign that in England, as in America, there exists a significant current of liberal feeling which is opposed to the fundamental principle of this type of cartel: the restriction of free access to the world's raw materials.

But readers who happen to be well acquainted with the history of the IRRC will probably receive this radical about-face with their fingers crossed. Ever since the cartel was formed ten years ago, it has maintained one of the strictest monopolies in existence. The cartel was created primarily to revive rubber prices, which had been flattened out by the depression. The IRRC immediately set out to alleviate the distress of rubber-producers by cutting down supply and raising prices again. The world's rubber-producing territory was divided into nine zones, and a quota was established for each. Exports were restricted. As a result of this restrictive program, world stocks had been cut in half at the end of two years, and prices had doubled. The IRRC, determined to keep rubber prices nailed to its own arbitrary levels, did not materially relax its quotas when war broke out. In fact, if the barometer of prices furnishes any indication of the cartel's wartime policy, it deliberately capitalized on the urgent military requirements of consumers—particularly of this country—for its rubber. The cartel hung on to its increased profits, which were not eliminated when prices were stabilized in this country by the Rubber Reserve.

Perhaps the best clue to the inner motives of this business-as-usual policy is provided by the contention of some cartel students that, although the IRRC is a governmentally sanctioned cartel, ostensibly covering all producers, it mainly represents the Dutch and British plantation owners of East Indian plantations. Many of these men probably know more about striking a good financial deal than they know, or care, about the effects which their policies exert on the world's rubber markets.

Perhaps the most unfortunate feature of the natural-rubber cartel is that it has exploited and perverted a real need for planning in rubber production. The rubber industry is one that will inevitably fall into the hands of monopolists as long as no international effort is made to work out a productive pattern for the benefit of consumers as well as producers. There are several reasons for this. One of the most important influences upon rubber production is the physical nature of rubber itself. It takes seven years for a rubber tree to ripen into production, after it is planted. Consequently, only a clairvoyant rubber planter could hope to predict how much demand there will be for his product by the time it is ready to be sold. This productive inflexibility of rubber also precludes any rapid adjustment to current market variations. Another difficulty is that most rubber-producers are forced to depend upon an erratic supply of immigrant labor. These characteristics of the industry are supplemented by a highly inelastic market demand for rubber, which actually increases when prices are rising.

The first attempt to boost prices by cartellizing natural-rubber production was made in 1922, through the Stevenson Plan. This restriction scheme was put into effect largely through the propaganda efforts of the Rubber Growers' Association, a powerful trade organization. The Association later had several representatives on the Stevenson Committee. This cartel was exclusively British; the Dutch had refused to join, partly on the grounds that America was not represented; that the cartel would maintain long-standing inefficiencies on the part of many producers, by obviating the necessity for them to streamline their production to meet lower prices; and that a more comprehensive, long-term scheme of control was needed. There was plenty of political as well as economic interest in the cartel, since the British government was anxious to obtain enough dollar exchange with which to repay its war debts. The Stevenson Committee was bitterly criticized, in consuming countries, for its arbitrary method

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of handling quotas. In more than one instance, quotas were decreased in the face of rising prices.

Clearly, there is need for a broader program of control than any cartel can offer. The manifold problems of rubber production cannot be adequately met by a producers' monopoly which seeks control over the industry merely for the aggrandizement of its members. In less than fifty years, rubber has become one of the most vital raw materials in existence. Only through a comprehensive, closely knit plan of international cooperation, rather than through a program of restriction, can increasing requirements be satisfied. Every country that imports a substantial amount of rubber should be granted a voice in the construction of such a plan. The Gordian knot which must somehow be unraveled by this plan, is: How can a free distribution of rubber supplies throughout the world be assured, and a reasonable, stable profit to growers be simultaneously made possible?

It is too early to tell whether the last three members of the IRRC are sincerely trying to work out this kind of plan or whether they have merely decided tactfully to accept the fact that Japan now has 90 percent of the world's rubber, and to make the best of this predicament until the war ends. In this connection, it is not too encouraging to learn that the proposed new committee "is intended to provide a basis for coöperation between the crude and synthetic-rubber interests," even though it particularly stresses "the interests and well-being of inhabitants of producing areas." But it would be unwise to condemn prematurely a gesture toward open international coöperation made on the part of a cartel which is being formally dissolved of its own volition. This is something of an innovation, to say the least. Perhaps its true worth can be judged a little better after the cartel officially dies.

The Synthetic Cartel.—The monopoly wielded for several years over synthetic rubber by Standard Oil of New Jersey and I. G. Farben is one of the most closely knit and complex patent cartels in existence. It is only one phase of an intricate series of chemical tie-ups between these two firms and of each with a number of others. Two years ago, the entire relationship between Standard and IG was attacked by the Department of Justice. It obtained a consent decree which abrogated their previous agreements and prohibited them from entering into any new ones without informing the Attorney General. Consequently, the synthetic-rubber cartel was optimistically buried by certain sections of the press. But those who are familiar with the informal structure of this cartel know that it has probably not been smashed by the decree, and they are speculating as to what form it may assume after the war. There are several indications that these speculations are not premature. Many of Farben's patents are now in the hands of W. E. Currie, Standard's patent attorney, for safekeeping. Standard has refused to pledge that it will not join up with Farben, although it has been specifically requested to do so by its minority stockholders. And all of Standard's wartime activities have apparently been designed to preserve the dominant position of the cartel in this country.

This cartel's principal armor against governmental regulation lies in its extreme flexibility. Most cartels, like political governments, are built upon some kind of definite constitution, to the terms of which all of their activities must conform pretty closely. But the synthetic-rubber cartel is based mainly upon a pact which provides that if any obstacles are placed before its members by "existing or future law, act of governmental authority, or circumstances," they will informally and voluntarily readjust their contracts "to adapt their relations to the changed conditions." The cartel has been formed out of a string of impromptu agreements which can easily be modified in order to adapt it to crises. All of these agreements bear out the statement of one of the parties that "the two companies [are] married for a long period . . . that the IG interest and the SO interest are the same, and that whatever Standard [does will] react to the interest of the IG as well."

In other words, Standard and the cartel are evidently in harmony. In view of this bond, it is interesting to observe that Standard's monopoly over rubber has not been materially weakened since the decree was issued. Far from it. Standard and its allies seem to have our synthetic-rubber program well in hand. The roster of officials in the Rubber Director's office reads almost like a roll-call of Standard, Firestone and United States Rubber. Bradley Dewey, the Rubber Director, is not a Standard man himself, but his company, Dewey and Almey Chemical, has had friendly dealings with Standard over a period of years. Testifying recently before the Gillette Subcommittee, Dewey went to great pains to defend Standard's inept handling of the rubber program.

To mention only a few others, E. R. Gilliland, Dewey's Director of Research, is a consultant to Standard Oil. The Deputy Director and Director of Operations is L. D. Tompkins, of the United States Rubber Company. E. B. Babcock, the Assistant Director in charge of Product Development and Conversions, is a Firestone official. Even the Baruch Committee seemed to be peppered with Standard sympathizers.

Today, our synthetic-rubber program is in a fairly disastrous state as far as the nation is concerned—but in a slightly better one from the viewpoint of Standard Oil. There is still no large-scale production of butyl, the most efficient kind of synthetic rubber. Only about 40,000 tons of buna rubber are being made each month. (It might be mentioned in passing that the thirty fluid catalyst plants which are planned to be our most important source for butadiene have all been leased out

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to members of the Catalytic Research Associates. The CRA is an oil-patent pool originally promoted by Standard Oil and IG; it therefore has the closest connections with the synthetic-rubber monopoly.)

Anyone who happens to be familiar with the development of the synthetic-rubber monopoly will realize that this situation is a logical result of the policies practised by Standard in conjunction with IG. Standard has used its position in the cartel to "keep the door open" for buna, while at the same time withholding butyl as an ace up its sleeve. Moreover, Standard and its allies have on at least one occasion deliberately scaled down the program for buna rubber for war purposes.

Standard's desire to obtain a monopoly position which would enable it to follow this strategy is undoubtedly one reason it entered into the Division of Fields and Jasco Agreements with IG. The Division of Fields Agreement was designed to promote joint development of new chemical processes between the two firms. It stipulated that if IG should decide to develop any new chemical inventions based on petroleum, outside of Germany, it must share these patent rights with Standard. In return, Standard was bound to let IG participate in the use of any chemical inventions not based on petroleum which Standard desired to initiate outside of this country. This agreement was implemented with the creation of Jasco, a joint subsidiary in the United States, through which Standard and IG have nominally shared each other's inventions in the prescribed fields.

The story of how Farben refused to turn over its buna know-how, after Standard had given its butyl process to IG for use by Hitler, is an old one to most readers. Most accounts have assumed that Standard was either under some strange kind of commercial hypnosis, or that Farben took advantage of Standard's ingenuous ignorance of cartel methods. From all the visible facts, however, it seems more logical to assume that Standard was just not interested in making rubber, but only in retaining the monopoly rights.

Since the Standard-IG rubber monopoly has no formal pattern, it is rather hard to give a brief description of its workings. Its members have not set production quotas and selling prices in the same definite way that other patent cartels do. But you can point to three major policies by which the objectives of this cartel were sought. They were:

1. Standard and IG have tricked other companies into protracted negotiations, in order to stall them off as long as possible. Goodrich and Goodyear, which were already developing their own synthetic rubbers, were held off from production with the promise that Farben's buna would be made available to them. When it became evident that these stalling tactics were failing and that Goodyear and Goodrich intended to go ahead and market their own products, Farben turned over its buna patent (minus the know-how) to Standard, in order that Standard might sue these companies for patent infringement. A suit was actually brought against a Goodrich subsidiary, but it was dropped after Pearl Harbor.

2. The cartel has taken advantage of Standard's monopoly position to require such onerous licensing terms from other companies that they have had no incentive to produce. When Standard had obtained IG's buna patent, Howard of SO decided to maintain Standard's monopoly while ostensibly releasing buna for defense purposes, by forming a gargantuan corporation to include all rubber companies. Standard was to hold 51 percent of the stock in this company, and the other 49 percent was to be divided among the rest. But Standard's own lawyers balked at this proposal. Consequently, Howard devised a licensing agreement which would have had the same effect. By the terms of the agreement, the other rubber companies had to pay Standard a royalty of 7½ cents a pound for all buna-type rubber produced, regardless of the extent to which the process used was covered by patents they received from Standard; they were prohibited from making rubber for resale; and they had to turn over all their own patents on synthetic rubber to Standard.

3. Standard has used its inexpensive butyl development as a weapon to intimidate other companies into stringing along with the cartel. Standard first developed butyl in 1937. Research engineers immediately recognized its physical potentialities; Standard's executives were just as quick to grasp the possibilities of using it as a competitive weapon. Standard's own cost figures indicate that butyl can be made at less than the cost of natural rubber. At the same time, it is for many purposes superior in quality to other synthetic rubbers. In the manufacture of inner tubes, it is definitely superior to natural rubber. Experiments show that butyl inner tubes are almost completely impermeable to air. (In one resistance test, for instance, a butyl and a natural tube were each inflated with 85 pounds of air and left for 36 days. At the end of this period, the natural tube contained only 40 pounds of air, while the butyl tube still held over 84 pounds.)

Instead of making butyl available at once for our war program, Standard kept it secret for two years, turning its formula over to IG in the meantime. When Standard was induced to make butyl public, in order to scoop Goodrich's announcement of ameripol, one of Standard's executives wrote to A. L. Viles, president of the Rubber Manufacturing Association, and warned him in effect that butyl would enable Standard to undersell any corporation that did not choose to play ball with IG and Standard. Since the RMA represents nearly every rubber company of importance in the United States, this letter actually amounted to an ultimatum to the entire trade.

As a corollary to this policy of intimidation, Standard

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has jealously guarded butyl from production, in its agreements with other companies and in its contracts with the Rubber Reserve. Standard has permitted Firestone and United States Rubber to test butyl, but neither company is permitted to manufacture it. Standard succeeded in delaying the construction of any butyl plants until 1943. Our synthetic-rubber program, therefore, has been based primarily upon buna.

Farben implemented these policies with an active espionage system through its United States subsidiary, Chemnyco. The officials of Chemnyco made it a point to "observe and become acquainted with" the numerous experiments of various American chemical firms.

Standard and IG are evidently lying low with respect to their postwar plans. They can afford to. There is little need for them to develop a definite working pattern which will enable the synthetic-rubber monopoly to evade governmental regulation after the war. The cartel will probably regain equilibrium almost automatically, through its flexible machinery. Its activities may have to be more circumspect than ever before if it does not get its own men into the government. Getting a legal stranglehold on this cartel may yet prove a tough problem for our anti-trust authorities.

The Chemicals Cartel

ONE OF THE MOST IMPORTANT of the worldwide cartels dominating an industry of great importance is the one dealing with chemicals and allied materials. Its chief partners were the German I. G. Farbenindustrie, the du Ponts in America and the British Imperial Chemical Industries. This cartel got into the news a couple of months ago when some of its members were made the subject of an anti-trust suit in the United States. Indictments were returned against the British ICI, the American du Ponts, and their subsidiary, Remington Arms, Lord McGowan and others.

During the past few weeks, this suit has fallen temporarily into the doldrums. The cartel's members have been granted an extension of time in which to prepare their answer, which—theoretically at least—means the trial will be set back proportionately. Some authoritative quarters in Washington are speculating as to whether it will be held at all. They believe there is a chance that the War Department may call off proceedings on the grounds of national expediency, as it has in every other case involving du Pont in the last two years.

But Lord McGowan of British Imperial Chemicals has kept things popping in the meanwhile with several categorical statements of what the brave new world will be like if the ICI and du Pont have any part in building it. He has emphasized, for instance, that the Sherman Anti-Trust Act should be repealed, and that cartels form the best possible basis on which to construct world peace. Many people first became acquainted with his famous phrase, "rationalization of chemical manufacture," recently, when newspapers quoted it from the Department's complaint. According to McGowan's latest remarks, his conception of a "rationalized" manufacture has not changed from what it was ten years ago: an industrial superstate, built on a series of treaties among the world's largest corporations, which have the power to divide the markets of the world among themselves and to exert an absolute control over the production and supply of thousands of vitally needed consumer products.

Whether or not this is what Lord McGowan has in mind, the du Pont-ICI cartel, with its German, Italian and Japanese contacts, certainly furnishes an excellent working model for such a superstate. This cartel was born in 1897, with the negotiation of an explosives agreement among du Pont, Nobel Industries (later the ICI) and the German company, Koln-Rottweiler. Its subsequent development into one of the most powerful cartels of our time has been due to the success of four central policies, which are typical of the machinations of patent cartels in general. Its members have staked out exclusive markets for themselves. They have cut off competition in non-exclusive selling areas. To facilitate this, sales quotas have been agreed upon, either tacitly or in written contracts. And as a natural result, the cartel has maintained its own arbitrary prices, in both exclusive and non-exclusive areas.

In order to grant each other exclusive markets without violating the existing anti-trust laws, du Pont, the ICI and their partners have resorted to the practice of cross-licensing each other's patents and inventions. In plain English, this means they have divided their sales territory. Although the process of cross-licensing is extremely complicated from a legal standpoint, its practical operation is very simple. The du Ponts give the ICI an exclusive license to one of their patents, which prevents du Pont from marketing that product to the British Empire. In exchange, the members of the ICI turn over an exclusive patent right to du Pont, so that the ICI is excluded from North America. The ostensible purpose of this mutual surrender of existing patents (and future inventions to boot) is the promotion of technological information and advancement. Its actual effect, of course, is the creation of firm economic empires for members of the cartel. Many of the cartel's agreements contain clauses which provide financial compensation for patents exchanged, merely to divert legal attention from the more practical reason.

By means of these innocuous-sounding "camouflage" clauses, du Pont and the ICI have casually parceled the world between themselves under the renewed provi-

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sions of the old General Explosives Agreement, the ICI has refrained from selling commercial explosives to the United States and most of Central America, while du Pont has been kept out of the markets of Asia, certain parts of the British Empire and southern Europe. Sales zones are also in effect for almost the entire staggering list of chemical products manufactured by both companies. To give you a rough idea of the variety of these products, here is a partial list: acids and heavy chemicals, dyestuffs, pigments, paints and varnishes, plastics, fertilizers, alkalis, insecticides, solvents, synthetic textiles, cellophane, photographic materials, chlorine, pharmaceutical and medicinal supplies and synthetic ammonia. There is scarcely one that is not indisensable to every progressive economy in the world. Yet, their price and distribution are under the strict control of du Pont and the ICI. According to the terms of two contracts, known as the London Draft and the Patents and Processes Agreement, the United States and Central America are reserved for du Pont, while the ICI supplies the British Empire.

The actual economic effect of these exclusive spheres of influence has recently been pointed out by Corwin Edwards in a speech before the American Economic Association: "Since ICI controls almost the whole chemical industry of Great Britain and in practice the agreement governs almost the entire line of chemical products, both patented and unpatented, the agreement is the practical equivalent of a prohibitive tariff upon the importation of British chemicals into the United States and serves to exclude a substantial portion of American chemicals from the British Empire." It hardly needs to be added that the patent-exchange system of du Pont and the ICI is far more rigid and arbitrary than any tariff ever devised. Tariffs, at least, can be modified in time by popular opinion. But you can't alter the legislation of a cartel.

The cartel has reinforced its exclusive world system by creating sales quotas in outside areas where its members are allowed to sell together. In 1928, quotas were set for the sale of military explosives to Europe, through joint offices maintained by both companies. Seven years later, this little scheme caused the cartel considerable embarrassment when it was revealed at the Nye munitions hearings. As a result, du Pont loudly and piously announced its withdrawal from the agreement (although some people have charged that the quotas were secretly continued). In their non-exclusive selling areas, du Pont and the ICI have found it convenient to maintain tacit quotas through granting each other an equal share in the stock of their joint companies. This same method is followed whenever a new corporation is brought into the cartel. For example, when Dynamit Aktiengesellschaft joined the cartel in 1926, a joint company—Explosives Industries, Limited—was formed to eliminate competition in South American markets, and it was agreed that sales would be made in proportion to each member's stock ownership.

The du Pont-ICI cartel has many other foreign contacts in addition to the DAG. The European chemical cartel is a corporate octopus whose tentacles reach into every corner of the world. If you follow the convolutions of these tentacles, you will run into many other interests of du Pont and the ICI, outside the cartel. Most of the ICI's interests in Australia, New Zealand, Egypt, India, China and Japan were taken over from its four members in 1926. Four years later, the ICI went into the European dye cartel with various German, Swiss and French companies. It also joined the Convention of Nitrogen Industries, which included all the producers of Europe and Chile. Du Pont had formerly had connections with Mitsui in Japan, the Duco Societe Anonima Italiana, in Italy, and I. G. Farben. This is only a partial count of the cartel's foreign tie-ups.

In 1933, after the acquisition of a controlling stock interest in Remington Arms by du Pont, du Pont and the ICI decided to bring Remington into the cartel. They immediately included Remington's products—chiefly sporting ammunition—in their earlier world plans. The cartel has taken on no new members since. There is a good reason. Outside corporations can usually be influenced into quitting their competitive policies. Since the DAG joined the cartel (it is still virtually a member), it has apparently been used on several occasions as the cartel's strong man, to sell protection to small independent producers. The DAG now has contracts with several German companies, providing that these companies shall reduce their sales and limit themselves to markets outside cartellized territory, in return for a substantial yearly "compensation."

Although the cartel has not included Canada and South America as exclusive territories in its schemes for gaining control of world markets, competition has been successfully wiped out in both areas. That is a subtle way of saying that du Pont and the ICI have kept Canada and certain South American countries in economic subjection for years. "Non-exclusive" licenses have been exchanged for these territories, and joint selling companies have been established there. (The only difference between an exclusive license and a non-exclusive one is that the latter enables both du Pont and the ICI to use the same patent in a certain territory; outside companies are still excluded.) The cartel has, in fact, stymied our good-neighbor policy in five different South American countries, and has largely throttled native enterprise in Canada.

Canadian Industries, Limited—the cartel's subsidiary in Canada—was originally the Hamilton Powder Company, owned by Nobel Dynamite. Du Pont bought a substantial share in the company in 1908, and now holds about the same amount of stock in the CIL that the ICI does—48 percent. This leaves a total Canadian ownership of roughly four percent in the CIL.

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Back in 1926, du Pont and the ICI agreed to use the CIL as their weapon in forcing Canada and Newfoundland into the commercial orbit of the cartel. Both companies consolidated their other Canadian subsidiaries with the CIL. Subsequently, the cartel has bound the CIL with a long string of patent exchanges restricting its sales to Canada. In recompense for the CIL's promise not to export outside Canada, the cartel channels all of its chemical imports through the CIL. The sacred esteem in which the cartel holds its boundaries is shown by the fact that when an American construction company used du Pont explosives to widen the Detroit River, du Pont handed over to the CIL a share of the profit based upon the amount of explosives used on the Canadian bank.

The CIL is now the largest chemical manufacturer in Canada. As the province's commercial leviathan, it easily swallows up smaller fish before they grow to substantial proportions. It has a collection of contracts which serve as trophies of its encounters with rising industries and outside corporations. Among these are an agreement with the Atlas Powder Company which provides that Atlas will keep out of the Canadian explosives business; an agreement with Shawinigan Chemical Company which provided that Shawinigan shall confine its manufactures to acetylene and its derivatives; an agreement with the National Lead Company which diverts to the CIL more than half of National Lead's profits on its Canadian titanium sales; and a similar contract with the Stauffer Chemical Company requiring Stauffer to split its carbon-disulphide profits in Canada with the CIL. In all these contracts, the CIL has acted as an intermediary agent in discouraging competition for the cartel.

The cartel's policy of keeping rigid export clamps on the CIL's sales has run directly counter to the Canadian government's attempt to foster the development of new Canadian industries by subsidizing the exports of existing companies. The CIL is now allowed to make limited exports within the British Empire, but the cartel has made it clear that after the war the CIL will revert to its old position. There seems to be little likelihood that Canada's new war industries will succeed in breaking the cartel's domination.

As early as 1920, the cartel turned an avid eye upon South America. It first pounced upon Chile and Bolivia. A joint company, called Compania Sud-Americana de Explosives, was set up in Chile to sell commercial explosives in both countries. Through the CSAE, and several informal agreements, du Pont and the ICI now maintain an inviolate sovereignty in Bolivia and Chile, as far as explosives are concerned.

But the cartel's most important economic colonies in South America are Brazil and Argentina. They are ruled by du Pont and the ICI through two companies known as the Duperials (Industrias Quimicas Argentinas and Industrias Quimicas Brasilieras). The cartel's grip on both countries is even stronger than its hold on Canada. By the usual exchange of patent licenses, the Duperials are prevented from exporting their own chemical products outside their respective countries. Both must buy exclusively from du Pont and the ICI, except what these companies do not make. Unlike the CIL, which has at least been granted the empty gesture of autonomy, neither Duperial has a voice in its own operation. Each is governed by a joint stockholders' committee in New York City. This committee could hardly be called impartial, since its principal members are the manager of the ICI's New York office and du Pont's foreign-relations director. It has final say on the operation and commercial policies of both Duperials. It also determines their purchase and sales prices.

This absentee ownership is one of the chief sources of irritation between the cartel and the people of Argentina and Brazil (who are well aware of the extent of foreign control being exercised in their countries). As one ICI official has put it:

> One factor in [our] difficulties has been that neither Argentina nor Brazil can be said to parallel conditions in either the United States, the United Kingdom or Canada. The civilization of these two countries is based upon a Latin and not an Anglo-Saxon tradition. . . . The judgments of the two major stockholders are naturally colored by their own practices and conditions, so that the endeavor to find a basis of judgment for circumstances in South America by reference to standards applicable to home conditions of the two major stockholders does not facilitate an easy consilience of view between them.

The cartel has stamped out potential competition in South America by using the Duperials, as it has employed the CIL in Canada, to tempt or intimidate local companies into binding contracts. In Argentina, however, du Pont and the ICI are up against an unpredictable factor they had not reckoned with: Alfredo Hirsch, president of Bunge and Born, the largest corporation in Argentina. Hirsch has interests in about fifty different Argentinian industries.

Duperial-Argentina has several agreements with Bunge and Born which provide sales quotas for the chemicals produced by both companies and a profit-sharing scheme on their rayon manufacture. The Argentine Duperial also has two other important contracts. One of them is negotiated with Cia Primitiva de Gas, a local chemical firm, and provides that Primitiva will sell its entire ammonia output to the cartel. The other contract, entered into with I. G. Farben and a paper named La Celulesa, has resulted in the creation of Electrocler, a joint chemical firm. On the outbreak of war, the cartel apologetically dropped Farben out of this deal, with specific pledges to renew its tie-up with the ICI after the war. These promises evidently failed to soothe Farben, for it is now suing the cartel for damages on account of Electrocler's failure to compensate it for lack of stock participation.

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Remington has contracts in Argentina and Brazil which prevent the rise of any native ammunition manufacturers to challenge its prices. One of the cartel's most significant South American contracts is its dyestuffs agreement made through the Brazil Duperial with I. G. Farben. This provides that dyestuffs prices in Brazil shall be determined by du Pont, the ICI and I. G. The Farben contract has been reinforced by several arrangements with local dyestuffs producers.

The du Pont-ICI group, like most of the other representatives of international industry, is hoping for a bigger and better cartel after the war. Several years ago, they exchanged mutual promises to preserve the cartel through thick and thin: "Whatever the changes may be, and however they may affect our individual concerns, on one thing you may rely, they will not be allowed to disturb the harmony of the relations between our two concerns, which have so long and so well withstood the passage of time and its many variations."

Perhaps the Department of Justice will succeed in disturbing the cartel's harmony. If it does not, the cartel will remain intact after the war, to continue its proliferations throughout the world. Its German contacts have not been broken, in spite of the war. The DAG's interests in the cartel have been seized by the British Alien Property Custodian and turned over to the ICI for safekeeping! Contact with IG has been broken merely "until the present emergency has passed."

The Diamond Cartel

DIAMONDS, both those used in industry and those for jewelry, have long been the subject of an international cartel. They got into the headlines a few weeks ago when the federal authorities started action in connection with a plot to smuggle diamonds into Germany via Sweden. These charges concerned an individual, Anton Smit, and the Chase National Bank —the bank asserting that it had been an innocent victim in the transaction. The case, which has not yet come to trial, contains all the ingredients for a first-rate melodrama of international intrigue. But lurking ambiguously in the background of the Smit case is one of the world's most powerful cartels: the Diamond Producers' Association.

This cartel controls virtually all of the world's diamond production. There are some who claim that it has actively been selling on both sides during the war and that the syndicate has been directly involved in supplying diamonds through Anton Smit. On the surface, the known facts seem to refute this theory. It is true that most non-member sellers of industrial diamonds rely on the syndicate for their supplies. But Anton Smit apparently gets some of his diamond supplies from South America (although the rest probably come from the syndicate). According to some experts, Smit constitutes a minor cartel in himself, through his holdings in Venezuela, and the syndicate would be only too glad to get rid of his opposition through a successful government case against him.

Although the syndicate's position in the Smit case is uncertain, many persons believe that its policy, from the very start of this war, has been directed toward the increase of its enormous profits, rather than the assurance of effective aid to the Allied war program. The cartel has consistently blocked attempts to build industrial-diamond stockpiles as large as many believe are required. It has kept prices as high, and production as low, as it could, without being publicly accused of war profiteering. Those who are familiar with the cartel's recent history know that this policy is only a logical continuation of its prewar practices in controlling diamonds used as gems.

The diamond syndicate was formed for the specific purpose of restricting output in the various diamond-producing African colonies. Largely through the efforts of Africa's most important mining company, De Beers Consolidated, the syndicate has become one of the most deeply entrenched monopolies in the world. De Beers' main task has been to unite the Belgian and Portuguese mines of Forminiere, Beceka and Diamang, with the various companies within the A. Chester Beatty organization and the De Beers-Oppenheimer group. These three diamond empires together produce 95 percent of the world's supply; their capacity, together with their strategic geographical location, make them a perfect set-up for the formation of a cartel.

Through the Diamond Corporation, the Diamond Producers' Association and the Diamond Trading Company, the cartel sets quotas, determines its own prices and sells to whoever has money enough to buy. All three organizations are run by De Beers. The Diamond Corporation, which is actually the heart of the cartel, is made up exclusively of De Beers and its subsidiaries. It provides the formal mechanism under which De Beers enters into contracts with producers in the Belgian Congo, French Guinea, Sierra Leone, Angola and the Gold Coast Colony. By the terms of these contracts, each producer practically swears to do or die for dear old De Beers. He is required to pledge that he will sell to no one but De Beers, and that he will limit his sales to the amount desired by De Beers. The result of all this finagling is a network of contracts between the Diamond Corporation and every independent mine in Africa, which amounts to an informal quota system. De Beers has not experienced much difficulty in bringing the others in on this plan. They are evidently as eager as De Beers to obtain the full advantages of an economy of restricted production.

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The Diamond Producers' Association was set up in 1933, primarily to bring small prospectors within the cartel's dominion. To accomplish this, it was necessary to include the governments of South Africa and Southwest Africa, since each of these provinces has a Precious Stones Control Act which requires prospectors to turn their findings over to the government. With characteristic *élan,* De Beers has succeeded in extending its contracts to the provincial governments themselves. The Association sets official quotas for its rather weird assortment of members—the Diamond Corporation, the government of the Union of South Africa and the administration of the Mandated Colony of Southwest Africa. "The Association," of course, is a polite way of saying De Beers. By a contract between the Association and De Beers' selling syndicate, the Diamond Trading Company, it is assured that these governments will only sell through De Beers.

A number of years before the outbreak of war and the emphasis upon diamonds as a prime tool in building up an Allied arsenal, De Beers went all out for profit by closing down most of its mines. The major part of these mines are pipe deposits; that is, rich deposits of practically limitless quantity, located deep underground. The cartel is now handing out the Allied diamond supply in infinitesimal bits, from its shallow alluvial deposits. These stones are only second-rate, and as the cream of the alluvial deposits is scraped off, the quality is getting worse. So, with an ample supply of industrial diamonds in African mines and stockpiles, the Allies are forced to rely on the low-grade driblets allowed by the cartel—and consider themselves lucky to get even these, at exorbitant prices. But the cartel has achieved its aim; as a result of these squeeze methods, diamond prices have risen as much as 60 percent within a few months.

Since the diamond cartel is located in British territory, it is nominally subject to British control. The British Ministry of Economic Warfare, however, has failed to take any significant measures in regard to it. Most of the measures it has taken thus far have tended to preserve the cartel's monopoly position rather than to force a larger diamond supply into the hands of the Allied nations. Its most important action has been to designate a small handful of companies to act as the cartel's exclusive selling agents. Thus the Ministry has made the preservation of the cartel's wartime quotas a comparatively simple task. The purpose may be to keep diamonds out of German hands.

The government has not attempted to change the cartel's method of making individual sales. This sales system is one of the cartel's chief weapons in keeping prices high. If you want to buy from the cartel—whether you're an individual or a government—you are not permitted simply to pick out the diamond you want and purchase it. Instead, you are allowed to look at a group of diamonds, ranging from inferior stones to acceptable ones; then, in order to buy the one you want, you must purchase the entire group. The cartel has used this arbitrary method of selling industrial diamonds to the United States, its biggest purchaser, although it occasionally lets our government buy only the stones it wants, and then forces private dealers in the country to buy the inferior ones.

Diamonds play a vital part in war production through their use in dies, tools and drills. Diamond dies are employed to measure wires and filaments that go into the making of aircraft and ship instruments, sound-recording sets and radio tubes. The variety of ways in which diamond-bearing tools enter into every stage of production would make an imposing list; they are used to make engines, to bore cannon and to machine precision parts, among other things. Diamond drills are indispensable for building airfields, gun emplacements, dams and anti-tank defenses. Diamonds have many other categories of utility which make them badly needed on both the home and the fighting fronts. There has been a serious shortage of industrial diamonds in the United States during the last five years. At present, we have a stockpile that would be sufficient to fill only about a year's requirements.

Unfortunately the cartel holds the whip, for our only other sources for industrial diamonds are Brazil and Venezuela, which together produce only four percent of world output. Mining in both countries is carried on by hand prospectors; all South American mines are merely shallow surface deposits. We have a contract with Brazil, which nominally guarantees us 300,000 carats a year (against our yearly requirements of at least 12,000,000 carats), but Brazilian production is so erratic that the country has been unable to fulfill even this modest pledge. Experts believe that the production from Brazil's mines has hit a permanent decline.

Venezuela's diamond production is only about one-tenth as great as that of Brazil. But it is believed that there are several rich deposits south of the Orinoco River, and many heavy consumers of industrial diamonds in this country are urging that the United States develop mining projects in Venezuela. The Venezuelan government is playing safe; it would welcome United States capital, but it is anxious to keep the syndicate away from its mines. Up until now, most of the explorations in Venezuela have been undertaken by Anton Smit and the syndicate, with each trying to checkmate the other. Now that Smit seems to be out of the picture for the time being, the cartel has reportedly sent two representatives hot-foot to Venezuela, although their exact mission seems to be a mystery. The only stumbling-block in the way of United States development of Venezuela's mines has been the WPB. The WPB claims it has refused priorities "because of the lack of technical experts and critical materials."

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Within this country, there is another potential source for industrial diamonds: the Arkansas Diamond Company, owned by Ray Blick. This company's properties include a pipe deposit containing excellent diamonds. It has never actually been brought into production, but it is difficult to tell whether the syndicate has played a major part in keeping it idle. Thomas Stokes has described the unsuccessful efforts of Blick to get the Arkansas mine producing in this war. The account of Blick's encounters with the WPB is a sordid story of bungling and procrastination on the part of certain officials there. Blick complied with all the instructions given him by the WPB, and was promised that his mine would be put into operation. But, at the last moment, the priority on his property was withheld. The syndicate apparently has things pretty completely under its thumb in this country, as well as in several other nations of the world.

Four years ago, when German action seemed to threaten the cartel's African mines, the creation of a diamond stockpile in this country became a military emergency. The cartel, however, delayed any effective action in this direction. Last March, when the threat of the German armies had disappeared, a tripartite treaty was signed by Canada, England and the United States, providing for the creation of a stockpile in Canada, to be used by the United States during periods of acute shortage. But almost every term in this treaty contains a joker. The ponderous hand of the syndicate is evident in its composition, for it is carefully worded to make it very difficult for to draw upon Canada's stockpile.

The diamond cartel is not lagging behind its international bedfellows in making postwar plans. Last May, a new Diamond Producers' Agreement was signed, which formally continues the syndicate's existence for years to come. This agreement specifically includes industrial diamonds under the syndicate's quota system. In announcing the new agreement, Sir Earnest Oppenheimer, head of De Beers, promised rosy prospects for the future. He stated that, because "the basic aims of both agreements remain the same—namely, to assure sales through one channel . . . [our] cordial trade relations will continue during the war and after for the benefit of all." Sir Earnest should have defined his terms a little better; he really meant, of course, for the benefit of everyone but the outside public.

The Monopoly in Tin

FOR MANY YEARS, tin has been the subject of cartel control. Indeed, such control has continued so long that recently there have been propaganda arguments that it no longer existed. But the international tin cartel is not dead, or even moribund. There have been several recent indications that the cartel is as active as ever, even though it has lost some of its strength as a result of the war. The latest of these is a story in The New York Journal of Commerce, which reports that the British and the Dutch tin interests, like many other branches of international industry, are planning a comprehensive inter-governmental cartel to replace the picayune one which has controlled the world supply and prices of tin for over a decade.

The success of this plan would depend on two indeterminate factors, one of which the story fails to point out: the postwar attitude of America toward cartels, and the ultimate effect of the Bolivian revolution on the existing tin cartel. The first of these is becoming clearer every day, as America's distrust of every form of cartel is being crystallized. However, the second is less predictable, since it involves the course of future political developments in Bolivia, and their influence upon the destiny of Bolivia's long-time monarch *in absentia*, Simon Patino—who rents a whole floor of the Waldorf-Astoria in New York.

To understand how the fortunes of the tin cartel are linked up with those of Patino, it is only necessary to examine the cartel's structure. The tin cartel is ostensibly an association among governments, and not among producers. But if you look a little closer, you'll discover that private interests play an important part in making the cartel tick. From the standpoint of these tin interests, the cartel is an intricate web of intercorporate holdings in five different countries, with Simon Patino as the spider in its center. Patino, a Bolivian, has extensive tin holdings in several different countries, which assure him major control in the cartel. He owns all of Bolivia's best tin mines. Since about 70 percent of the Bolivian national income is dependent upon tin exports, Patino has literally ruled the country for many years. His policy has been to manipulate the Bolivian government in such a way as to keep an iron grip on his people. Economic progress in Bolivia has been stifled, and the workers have been denied adequate living conditions. (Patino's influence, incidentally, has run directly counter to our good-neighbor policy in Bolivia, and has aroused a distrust of our sincerity on the part of many Bolivians.) It was this situation which formed the background for Bolivia's recent military coup.

If you make it a point to follow the genealogy of cartels, you may recall that the tin cartel was formed back in the depression days, after a period of excessive production had led to a drastic recession in prices. At first, the tin producers themselves got together and formed a short-lived group called the Tin Producers' Association. When this voluntary attempt to regulate

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prices failed, the various tin-producing areas began to consider the possibilities of a governmental cartel. Luckily for the producers, there was a strong official interest in tin prices, which coincided with their own. Tin forms an important part of the national income of British Malaya, Bolivia, Siam, Nigeria, the Dutch East Indies and the Belgian Congo, and these governments were eager to see prices raised to a profitable level.

An official government cartel was formed in 1931, with the establishment of the International Tin Committee. The committee's membership now includes the five major producing countries (although Malaya and the East Indies are in enemy hands, they are still members) and Indo-China, Cornwall, the Congo and Portugal. The committee, before the war, had complete control over 90 percent of tin production.

Members of the committee assign each producing country an export quota, which in turn is broken down into quotas for individual mines. Two pools have been set up, for the purpose of liquidating excess tin stocks. From the standpoint of the tin producers, these quotas have been remarkably successful. After they went into operation, tin prices quickly soared to where they had been before the depression set in, and by the middle of 1933, they had risen by 130 percent. World production fell by about half. This price-production relationship was kept, with little alteration, until the outbreak of war, partly by means of a Bolivian export tax.

The tin-consuming countries (particularly the United States, which buys more tin than any other nation) have tried unsuccessfully to obtain an adequate representation in the cartel. Even within its own member governments, the cartel has often been attacked for its arbitrary manipulation of output and prices. Magazines such as The (London) Economist have criticized the tin committee on the grounds that the cartel has not demonstrated enough flexibility to meet changes in demand; its price has been ridiculously disproportionate to other raw-materials prices; and it has tended to preserve inefficient producers at the consumers' expense. After ten years of such protests, in 1942 the tin committee magnanimously announced that it would allow three representatives (without vote) from the United States to sit in on future meetings.

Monopoly control over tin has been considerably facilitated by cartel ownership of all the important smelters. Smelting is an indispensable bottleneck in tin marketing and production. Whoever controls the largest smelters can make or break tin prices through his indirect control of ore supplies. Until the Japs jolted the cartel's placid monopoly by capturing Malaya and the Dutch East Indies, the world's most important smelters were owned by Patino and/or the British. The cartel's pivotal smelter is now the Williams-Harvey concern at Liverpool, which is Patino's special pride.

Patino's ownership of Williams-Harvey is probably his most important stake in the entire cartel, but it is by no means the only one. Through his astute financial maneuverings, Patino has acquired control over other smelters. First, he bought his way into the center of the cartel by obtaining a one-third interest in Williams-Harvey. Later, when he wanted to purchase a smelter at Bootle from Williams-Harvey, he was blocked by National Lead, the co-owner of Williams-Harvey. Patino solved this difficulty by the simple expedient of buying out National Lead and taking over full ownership of the Liverpool smelter. One of his shrewdest tactical victories was the consolidation of Williams-Harvey with three other English smelters, to form Consolidated Tin Smelters, Ltd. Not long after this major coup, he bought a substantial share in a British holding company called the British Tin Investment Corporation, with investments in about thirty Malayan mines.

Patino's Bolivian holdings are incorporated in Delaware; thus Patino can obtain the support of our State Department. These mines contain the purest tin ore in Bolivia; the most notable is the Compagnia Estanifore de Llallagua, the biggest tin-producer in the world. The National Lead Company already had interests in Llallagua, and upon the Delaware incorporation, these interests were transferred to Patino Mines. Patino strengthened his hook-up with National Lead by paying for the entire control of Williams-Harvey with his own stock. National Lead now holds a 10-percent interest in both General Tin Investments and Patino Mines. His aim was to get into a position where he could set world tin prices high enough to cover the exorbitant costs of operating his Bolivian mines.

Not even a world war and the loss of two member countries to the enemy could prevent representatives of the International Tin Committee from convening, in 1942, with their usual pontifical pomp, to work out production quotas for the next five years. It was announced that the cartel had decided to grant a considerable increase in production quotas to Malaya and the Dutch East Indies—which are now monopolized by Japan! These countries were technically allowed to expand their tin production by about 35,000 tons, while Bolivia, on which the United Nations must now rely principally for their tin, drew an increase of only 740 tons. When you examine the voting power of the committee, you discover a suspicious correlation with these results: Malaya and the Dutch East Indies control 9 of the 17 votes.

It would be hard to find a plausible reason for this astonishing allocation, other than a diehard desire on the part of the committee to maintain its own status quo. The cartel may also have had an eye on our new tin smelter at Texas City, hoping to keep the smelter's

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postwar tin supplies at a minimum, by allotting a small quota to Bolivia. The possibility of a successful smelter operating in the United States has been a nightmare to the cartel for years. During the last war, a smelter was constructed on Long Island by Williams-Harvey and National Lead (Patino later bought shares in it). Although this smelter operated at a profit, and produced a better grade of metal than the Liverpool smelter, it was closed down after the war by its three owners, who found it more profitable to smelt tin in England. The tin cartel has subsequently blocked the construction of refineries in this country, by means of heavy export duties.

But upon the outbreak of war, an American smelter became a strategic necessity for the Allies; especially after the Dutch and Far Eastern smelters were captured. Our present five-year contract with Bolivia, signed in November, 1940, guarantees to the United States 18,000 tons of ore each year from the mines of Hothschild, Armaya, the *medianos* (medium-sized producers) and the *chicos* (small independent miners). Patino, by refusing to enter into the contract, carefully ensured that we would receive only low-grade ores. Tin now being sent to this country contains so many impurities that it is an extremely difficult job to refine it for smelting purposes.

Despite this initial handicap, the Texas City smelter has made an excellent record. Built and operated by the N. V. Billiton Company, owners of the Dutch Arnheim smelter, it is now considered by most tin experts as being potentially the world's best. The menace which the new smelter constitutes to the tin cartel was recognized editorially by The London Times last April:

> A permanent tin-smelting industry in the United States would necessarily have to be based on Bolivian ore. It would thus mainly hit European tin smelters, including those in this country, which until the outbreak of this war had a virtual monopoly of the treatment of Bolivian ore supplies. The reply of tin smelters on this side of the Atlantic to this postwar threat obviously lies in the maximum rationalization of their operations to reduce their costs to the lowest possible level. . . .

Patino, who claims to have a long-standing contract with the Liverpool smelter, is not merely blockading our Texas City smelter by refusing to market his ores to this country; he is also causing an absurd crisscrossing of tin shipments out of Bolivia and Africa. While the new smelter continues to operate at only partial capacity, and with disproportionately high costs, the best Bolivian ore is shipped to England, where it is refined, then brought to the United States for processing, and finally sent back to England in the form of containers. (There is a report that this practice has recently been abandoned.) Pig tin from the Belgian Congo is also brought here and shipped out again after it has been processed. This is how a cartel economizes.

Whether or not Patino and the cartel will succeed in maintaining their positions during the war may be determined by Bolivian events of the next few months. Patino's influence in Bolivia first showed signs of decline more than a year ago, when workers in the Llallagua mines revolted against what they considered their intolerable living conditions. The Llallagua strike was given wide attention by our press, and served to inform the American public about some of the economic facts of life in Bolivia. More recently, it has been shown that the average wage in certain sections of Bolivia has been about $90 a year; that price levels are disastrously high; and that housing conditions are wretched.

Official action has been taken to implement our good-neighbor policy in Bolivia. The FEA and the CIAA now have a joint program which provides a triple threat to Bolivian poverty through fair-labor-standards clauses written into FEA purchasing contracts, a joint Bolivian-American fund set aside out of taxes to improve working conditions, and an educational project designed to stimulate the exchange of students and teachers between Bolivia and the United States. There is also a bi-national agency in Bolivia known as the Bolivian Development Corporation, which has been created to help the people diversify their economy. Most of these measures have been suspended as a result of the State Department's non-recognition policy toward the Villarroel regime.

Meanwhile, the International Tin Cartel is engaged in mapping out its grandiose schemes, to be put into effect after the war. It has attempted to gain American support for its projected super-cartel by promising this country an active participation, once the cartel has been established. British tin interests are also feeling out the American reaction to their colossal brain-child by more subtle methods. One of their leading propaganda instruments is the World Trade Alliance, which is run by a cartel executive named Sir Edgar Jones. Sir Edgar is carrying on a full-fledged campaign, via public meetings, broadcasts and pamphlets, to promote the notion of a permanent network of inter-government cartels covering every industry, to be dominated by England and the United States. Sir Edgar's rather quaint economic philosophy is that, by restricting production and exports and setting high prices, full production can be guaranteed. So far, he has seemingly not made much headway.

That has not discouraged the tin interests, however. They are hoping that, if a sufficiently strong Anglo-Dutch cartel is formed, America may eventually be forced to join. From the standpoint of the cartel, it does not greatly matter whether force or persuasion is used, as long as control over tin prices is prevented from falling into the hands of ordinary consumers.

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The Story of Steel

ALTHOUGH NO ONE can weigh the comparative effects which different cartels exert on society, it would not be far-fetched to say that the International Steel Cartel has probably had more influence on the political destinies of nations during the last two decades than any other monopoly in existence. One obvious reason for this influence is that the ISC has controlled the supply of the most vital industrial raw material in the world. Another is that this control has been undertaken for definite political ends. The ISC has long constituted one of Germany's most formidable instruments of economic warfare. The policies of the ISC undoubtedly furnished a basis on which Germany could build practical plans for regaining her political ascendency in Europe.

In spite of this cartel's major significance, nearly all recent journalistic exposures of cartel practices have ignored it. Perhaps this is because the cartel proper has been disbanded by the war, and its importance is therefore considered to be at an end. If our cartel muckrakers have fallen for such a notion, they are sadly mistaken. The steel cartel is going to pose some of the most perplexing problems of the post-armistice period. One of the first questions which Allied peacemakers should and must come to grips with, is: How can the German steel industry be prevented from forming another cartel which will enable it to spur the rearmament of Europe, and, consequently, of the entire world? Germany has preserved the core of the steel cartel by expropriating the steel industries of every conquered territory. Most of these industries have been taken over by that amazing German steel firm, the Hermann Goering Works. Germany has, moreover, levied huge occupation costs in order that her steel interests may use the exchange of occupied countries to acquire a leading interest in their steel plants. Experts who have followed the methods of German economic penetration stress that there is no legal way to prevent these stolen shares from being transferred to neutral territory after the war, to forestall their seizure by the Allies. It looks as if German steel interests will be in a better position than ever before to institute a new cartel for the purpose of reëstablishing Germany's economic (and therefore political) hegemony in Europe. The representatives of these interests have been placed in key positions all over the continent.

To get a clear understanding of the genesis of the ISC, you have to go back to the twenties, when the world steel industry was faced with a tremendous overproduction, due to the loss of its armaments markets. At this time, the smaller steel mills of France, Belgium and England had a considerable operating advantage over the larger, more integrated firms of Germany, which could only produce at extremely high costs. The German producers were particularly hard hit by the terms of the Treaty of Versailles, which shifted most of Germany's best iron-ore regions to France, Poland and the newly created Saar independency. The Stahlwerks-Verband, Germany's own domestic cartel, was almost completely disrupted. In order to allow the annexed steel works to retain their normal relationship with the fabricating and engineering works in Germany, the Treaty forced the Germans to import steel from the Saar, Luxemburg and Alsace-Lorraine, duty-free, until 1925. Despite these terms, however, the Germans immediately began to pick up the odds and ends of their domestic cartel, in an effort to fit them together again. By the time the import clause of the Versailles Treaty had expired, a new, if somewhat attenuated, Stahlwerks-Verband had been created, and the Germans were scheming up plans for bringing their expropriated plants within the orbit of this cartel.

Prominent among these plans was one which called for the establishment of an international cartel along the same general lines as Germany's crude-steel cartel, the Deutsche Rohstahlgemeinschaft, with considerable power over steel prices and exports. The Germans were anxious to obtain a high world price for steel, in order to permit the profitable operation of their mills, and at the same time discourage the sale of French, English and Belgian steel in the German market. Control over exports would have chiefly benefited Germany, since she is practically the only steel-producing country in Europe which exports little steel. Fritz Thyssen, then head of the Stahlwerks-Verband, and Emil Mayrich, the most important industrialist in Luxemburg, helped to spread the idea of an international steel cartel.

The first International Steel Cartel was composed of steel firms in Germany, Belgium, Luxemburg, France and the Saar. Producers outside of Germany were eager to collaborate with German firms in a steel-restriction plan, in order to solve their overproduction worries and profit from a high world price. They were also anxious to obtain adequate coke supplies for their foundries. The steel industry is completely dependent upon coking coal to keep its blast furnaces running. Under the Versailles Treaty, however, the newly acquired plants of France and the Saar had been separated politically from Germany's rich deposits of coking coal. These deposits gave Germany a strong promotional argument in selling her cartel. Since the German steel makers also dominated the coke cartel, they were able to manipulate the costs of their Franco-Belgian-Luxemburg competitors. Belgium shied away at the start, mainly because of Germany's economic domination. But France and Germany dumped steel on the market until Belgian producers (who rely almost entirely on exports) were practically forced into bank-

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ruptcy. The bankers who acquired control of the Belgian mills then brought Belgium into the cartel.

The International Steel Cartel assigned each member country an indirect monthly quota, an absolute production limit beyond which individual concerns could only produce at a penalty. Each member firm was required to contribute a production tax of $1 to a common fund, which was later partially refunded. Any firm violating the cartel's quotas had to pay a penalty of $4 on each excess ton of steel produced. By the time the first ISC was dissolved, Germany had paid about $12,000,000 in fines, most of which was refunded to France, whose producers fell below their quotas. But from Germany's viewpoint, this was a small price to pay for being able to restrict the steel production of her rivals and to build up her own. It is apparent that while Germany ostensibly proposed the steel cartel as a cure for the steel industry's overproduction ills, German producers intended from the first to employ it as a weapon of economic warfare. They succeeded admirably. Within a decade, German production had increased—and French decreased—to such an extent that Thyssen's United Steel Works was outproducing all the factories of France combined.

In 1927 Austria, Hungary, Czechoslovakia and Rumania—which already had their own Central European Iron and Steel Cartel—joined the ISC. A year later Czechoslovakia withdrew, refusing any longer to submit to the cartel's restrictions. By that time, the foundations of the ISC were starting to wobble, due to cutthroat competition on the part of the British. In 1929 prices hit rock bottom, and the ISC became one of the unheralded casualties of the depression.

In addition to using the first steel cartel as a method of restricting production in other countries, the German steel interests had inaugurated a wide-scale program of economic penetration into those countries. Immediately after the end of the war, France and England had helped to speed this program by speculating in German marks and providing the Germans with some of the foreign exchange they were using to buy up the steel plants of Europe. The German steel interests annexed Austria long before the Anschluss was signed. They had taken over the Alpine Montan Gesellschaft, on whose production the entire Austrian economy depends. The Italians at one time had an interest in this Austrian steel deposit (whose ores are richer than those of Lorraine), and the political rivalry between Hitler and Mussolini in Austria was partly occasioned by the German ownership. By controlling the Alpine Montan Gesellschaft, the German steel interests were paving the way for the later elimination of Dollfuss. No wonder Mussolini was anxious to preserve Austria's economic independence!

By 1933, the Germans were not even trying to keep their rearmament a secret. All the big steel boys had their chips on Hitler, and firms such as the Krupp plant were manufacturing at top speed the arms with which Nazi plans were to be put into effect. The other countries of Europe became sufficiently alarmed to start rearming. Nevertheless, they had evidently learned remarkably little from their experience in the first cartel. Early in 1933, Germany inveigled them into joining a second cartel, which formed an even more potent weapon of German domination than the first. In his book, "The International Steel Cartel," Edwin Hexner succinctly describes the objectives of this new cartel: "First, the agreement was to relate exclusively to the export market, disregarding the volume of output and domestic marketing conditions. Second, the quota system was to be extended to particular steel commodities, and prices of these commodities were to be regulated directly through export syndicates. Third, the cartel was to extend its structure to the organization of distribution, going so far as to establish or promote cartels of merchants in importing countries."

This cartel formed a double-edged weapon in the hands of Germany's steel producers. By restricting the exports of member countries (Czechoslovakia, Austria and Hungary did not join, but concluded separate agreements with the new cartel), Germany obtained an indirect regulation of their production. At the same time, the cartel guaranteed additional foreign exchange to the German steel interests, for their penetration program. For this time, penalties were placed on exports instead of home production, and Germany received the fines instead of paying them out. It was a perfect set-up for the Nazis—and Europe apparently fell for it.

The new ISC regulated exports through cartels governing specific steel products, such as heavy rails, tubular products, wire rods, etc. Most of these cartels had been in existence long before the first ISC was formed. Many of them were never brought under the influence of the ISC. However, most non-ISC producers were induced to sign penetration agreements with the ISC, which "stabilized" their production and choked off potential competition with the cartel proper. Through its member export-sales syndicates, the ISC controlled about 80 percent of world steel exports. In general, home markets were reserved. The control of exports led to an indirect control over world prices.

In 1935, as a result of the so-called Saar "plebiscite," Germany recovered some of her most important steel plants. Although this move caused considerable alarm among the other members of the cartel, none of them showed any indications of withdrawing. In fact, the cartel was actually expanded when England joined some of its syndicates in April. Poland and Czechoslovakia were then brought closer within the ISC's sphere of influence. Several important penetration agreements were signed with producers in importing countries. And, as a final triumph for Germany, America's largest producers made peace with the cartel in 1938.

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This country had not been attracted to the ISC sooner, because our steel economy still retains a certain amount of open competition, which runs directly counter to the organization of the cartel. The ISC is founded primarily upon strong domestic cartels. Practically every country of Europe has a highly integrated steel industry, and Germany has found it relatively easy to bind these national monopolies into an international steel combination. But in the United States, there are still a number of smaller producers whose stubborn competition blocks all attempts to form an American steel cartel. Because of these small independents, the executives of our large steel concerns have not been anxious to help the ISC set high world prices on steel. High world prices encourage the small firms to produce more steel for export purposes. The consequent expansion of their plant capacity enables them to compete more actively in the domestic market with the large steel concerns, and to drive domestic prices lower. Our big steel companies have been forced into the paradoxical position of championing a relatively low world price, in order to maintain their advantage here at home.

During and after the depression of 1929, however, the domestic steel market had become so restricted that American steel monopolists began to regard the cartel more favorably, as a means of obtaining business abroad. Since world steel prices had struck an all-time low during the depression, it did not look as if they would be brought high enough to stir up much competition within this country. So the large American firms decided to join up with the cartel and get their share of its world steel quota. The subsequent relations between the Americans and the ISC might be euphemistically described as unhappy. Most of the difficulties were caused by the failure of the Europeans to understand the steel set-up in this country. Our independents made a frequent practice of undercutting the cartel in foreign markets, and the continental members of the ISC suspected that the large American firms had a hand in this competition. They became increasingly resentful at what they considered the shady tactics of the cartel's American members, and finally insisted upon an agreement whereby the foreign sales of outside independents would be subtracted from the export quotas of the large American firms. This stipulation naturally angered the Americans.

By 1939 Germany had become strong enough to wage war. Long before, the other steel interests of Europe had realized where German policy was leading. Instead of abandoning the second ISC, these interests cheerfully seized upon the opportunity to rearm their own countries and get rid of their surplus steel the easy way—by converting it into armaments. Indeed, they actively collaborated with Germany and helped her to augment the arsenal she had started back in the days of the first cartel. In the early 1930's this new armament drive on the part of the world's steel makers caused a significant public reaction. For the first time, the public at large was told about the unholy alliances which exist among the world's munitions makers. American were shocked to learn that in the World War, the Germans killed English soldiers with British cannon, the Bulgarians wiped out Frenchmen with French 75's, and the Russians shot down German infantry with German rifles. Unfortunately, no one took the trouble to probe into the economic causes of these munitions agreements.

The activities of the armaments companies during this war will provide plenty of material for other scandalous exposés when the fighting ends. It is definitely known, for instance, that France's national steel monopoly, the Comité des Forges (headed by the notorious de Wendels) supplied huge quantities of iron ore to Germany while the Germans were invading France. This ore was sent to a large Belgian firm, the Union Economique Belge-Luxembourgeoise, and reëxported to Germany. The Maginot Line was constructed by a German firm owned by Hermann Roeschsling, who has important connections with the Comité des Forges. When the French army moved into the Saar in 1939, it was halted three miles short of Roeschsling's munitions plants and forbidden to fire upon them. It is no accident that among the leading collaborationists in France, Belgium, Czecho-Slovakia and Poland are many representatives of the big steel interests.

The ISC is now dissolved by the war; but the German steel interests have made it clear that the cartel has only been suspended for the duration. Recently, Germany announced that a new and enlarged Stahlwerks-Verband has been formed. This cartel, which was the core of both ISC's, now includes the great Hermann Goering Works (a previous rival of the Stahlwerks-Verband), and all of the plants in Lorraine, Luxemburg, Austria and Upper Silesia whose ownership the Germans have expropriated. German steel firms have also taken over a controlling interest in the A. S. Sydwaranger iron-ore mines in Norway; the Central European Mines Company in Yugoslavia; and all of Czecho-Slovakia's iron and steel plants, including the Skoda Works.

Demands for war materials on both sides have caused the greatest expansion in steel production in industrial history. This expansion can be partially gauged from trade figures showing the wartime increase in American steel production. At the end of our present steel program, our plants will have a steel-ingot capacity of about 95,000,000 tons. This is more than double the normal peacetime demand.

If we really want to prevent the same vicious cycle from recurring, we must start planning a solution to the postwar problems of the steel industry. Those problems certainly cannot be met by another steel cartel dominated by Germany. Yet steel, like rubber and tin, is a commodity which requires effective control.

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Conclusion: What to Do About Cartels

IT IS EASY to recognize the dangers of cartels, more difficult to know what to do about them. Phrases like "abolish them" or "restore competition" are mere pious wishes unless an effectual method for doing so can be suggested. Still more fatuous are the continual urgings to "preserve free enterprise," heard from those who have no program for dealing with monopoly and frequently do not even mention it.

It was more than a half-century ago that the American people began to be worried about monopoly at home. Laws were passed and revised, agencies for investigation and control were set up. Under President Wilson's first administration an expert study of the problem was made, and ingenious new legislation was devised and enacted, with the passage of the Clayton Act and the establishment of the Federal Trade Commission. It would be reckless to say that all these laws have done no good whatever, yet the fact remains that monopolistic practices are still rampant in this country, and great American corporations have become an essential part of the international cartel network.

The difficulty is that in the game of prosecution and defense, counsel for private interests are always two or three jumps ahead of the government. We decide to do something about the problem, make a careful study of everything business has done to which we object, and try to phrase laws which will prevent these practices without forbidding business to carry on at all. After a long fight, Congress passes some legislation, usually after inserting numerous loopholes. Then, if we can succeed in getting an administration which wants to enforce the law, the Department of Justice after due study and deliberation brings a few test suits. With long legal delay, these suits are fought up through the courts until finally the Supreme Court renders a decision in a particular case, which may or may not be a good precedent by which to know what can or should be done in other particular cases. But by the time the decision is rendered, the legal mentors of the corporations have discovered some new way of accomplishing the result their employers desire, which either has not yet been forbidden by law or cannot be prevented without another long and costly legal fight, the outcome of which is uncertain.

One trouble with the approach of legislative regulation is that as long as private business is left with the incentive to do anything useful to the public, and with the power to do it, it is likely also to have the incentive and power to fix prices, limit output, restrict competition and dampen enterprise. Since those who devised the Wilson legislation, for instance, did not wish to forbid the possible efficiency of bigness as such, they refrained from outlawing the purchase of assets by corporations no matter how big they might be, and placed few obstacles in the way of the ownership of one corporation by another. The Supreme Court, in its famous "rule of reason," opined that Congress did not mean to forbid all restraints of trade, but only "unreasonable" restraints. A long series of court decisions on the practices of trade associations have left open the door to all sorts of limitations of competition. And it is difficult to devise a plan by which we can continue to encourage invention by the patent system, and at the same time prevent the abuses of patents which modern monopolies employ.

The abuses of monopolies are not something alien to the profit system, easy to cut away from it if only we have honest officials and business men who are not bent upon economic wickedness. We habitually praise the profit motive as the source of all progress, and then, when it reaches its logical conclusion, we call it greed. However much business men may approve of competition in the abstract, the goal of every competitor is to outdistance and if possible to eliminate his rivals. A modern economy offers many opportunities for the success of a few in doing so.

Nor is the motive always or entirely the amassing of wealth. Competition is full of wastes which a conscientious manager naturally wishes to avoid. And too much competition may threaten the security of all concerned. Behind many an agreement to restrict production you will find a period when output was far greater than the market could absorb at prices which would maintain the competitors in business. The Spartan prescription of the orthodox economists, that the internecine struggle should go on until only the more efficient producers are left, and prices come back to a level profitable to them, is not welcome to those who face ruin, to the creditors of the concerns which are in danger, to the workers who must undergo unemployment, or to the governments which depend on the prosperity of business. On these accounts monopoly practices are usually phrased in terms of ethics, codes and coöperation. The men who employ them often believe they are acting in the best interests of the community. It is significant that the modern cartel movement marched under the banner of "rationalization."

If we pit such strong motives as a generally sanctioned profit incentive, a deadly fear of losing economic security and even occupation, and a desire to do things in an orderly and planned way instead of practising the manners of the jungle, against the negative, tardy and often inexpert resources of a police state, we must expect something far short of a satisfactory solution of the problem. For these reasons, there is no cure for capitalist monopoly in any magic formula. It will not be banished quickly or without much trial and

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error. Our approach must be one of envelopment by all the devices in our arsenal, concerning which it is now possible only to offer some elementary suggestions.

The Domestic Problem

As has been noted, international cartels cannot operate within countries where monopolies cannot control the domestic market. The first line of attack should therefore be by national action within the United States —as well as within each of the other nations where cartels flourish. The following types of action may be suggested.

1. *Enforce Existing Anti-trust Laws.*—The anti-trust laws we have, though far from adequate, have been largely inoperative because they have not been vigorously enforced. Republican administrations between 1920 and 1932 were representative of big business interests, and were not impelled to move against combinations by any strong public sentiment. The first Roosevelt administration in its attempt to cure depression even encouraged business control of prices and output through the NRA. Recent attempts to prosecute by the anti-trust division of the Department of Justice have run afoul of conservative interests, and since the war have been moderated by the necessity of the War and Navy Departments to depend on the big corporations for military equipment.

The virtue of vigorous enforcement, even though it cannot solve the problem, is that it puts monopolies on the defensive and so exerts pressure on them to watch their step and exhibit the best behavior of which they are capable. If the laws are actually undesirable, they should be amended instead of being ignored, and enforcement will stir the ingenuity of those affected to propose some better program for dealing with generally admitted evils.

2. *Devise Better Means of Regulation.*—Regulation will never be effective so long as it must be dependent on specific legislation and actions in courts. It must be carried on administratively, and must be flexible enough to meet new conditions as they arise. The Federal Trade Commission was devised for this purpose, but it has not lived up to the hopes of its designers. Indeed, it has virtually given up any attempt to solve the monopoly problem and has devoted its energies largely to preventing the "unfair competition" of misleading brands and labels.

It has been suggested that every business engaged in international trade—and perhaps those engaged in interstate trade as well—be compelled to incorporate federally. Federal corporate charters would, by law, be granted only on certain general conditions drafted in the public interest, and would be subject to renewal at stated periods. Such conditions might embody the principle that the corporation would have no right to engage in any activity which would compromise the fullest production and employment permitted by the current level of technology, the availability of materials and the labor supply. A commission would be empowered to see that corporate practice lived up to these conditions in detail, to give full publicity to corporate affairs, and possibly to withdraw the corporate charter, if the corporation in question was persistently and knowingly guilty of violations.

If litigation arose in connection with this kind of regulation, the burden of proof would be on the corporation instead of on the government. The corporation would have to appeal to the courts to upset an administrative action, rather than the government appealing to the courts to forbid a corporate action.

3. *Break the Corporate Monopoly on Patents.*—Many of the important patents on which cartels now base their power are of German origin. Most of these have been seized by the government and are now in the hands of the Alien Property Custodian. Attorney General Biddle has suggested that after the war these patents not be returned to the German owners, but be held for use in the public interest. After the last war we did not return German patents, but disposed of them to private companies, some of whom secretly represented the German owners, and most of whom used them (as they assumed the right to do under the patent laws) for monopolistic gain. Mr. Biddle's suggestion is a good one. We do not see how it can be executed unless the government retains the patents and licenses them to all on equal terms.

This, however, is only a half-measure, since it does not bear on future patents, and any concerns which are not holding the American patents which complement the German ones may hesitate to buck the great power of the existing monopolies. Some revision of the patent law is necessary which if possible will retain the incentive to inventors while preventing use of patents to restrain trade or restrict output.

In addition, a suggestion of possibly great benefit is to set up a public research organization with ample funds, dedicated to making inventions and improvements which may be employed by anybody. This would not forbid individual ingenuity or inventiveness, but it would provide a public competition for the great private research organizations from which many industrial improvements now stem, and which permit monopolistic exploitation of the brains of scientists and technicians.

4. *Use the Public Power to Compete.*—In numerous important industries where monopoly practices prevail, the government has built for war purposes and now owns great productive facilities. The corporations, many of which are operating these plants as contractors,

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are now exercising strong pressure to have the plants either closed down or sold out to private interests as quickly as possible after the war. They have been in the main supported by the Baruch report. As suggested by Harlow S. Person in The New Republic, the government should retain whatever plants are necessary for the purpose of ensuring full employment and fair prices. Public competition has been effectual in Sweden, and has shown what it can do in the United States in the case of the TVA. The government need not necessarily operate all the plants it owns; it can rent them to private contractors, but under such conditions that practices which are a detriment to the public shall not prevail.

5. *Install Democratic Planning.*—Most important of all, the government should not leave the planning function entirely to those who operate for private gain. It should not be content with negative and regulatory measures, but should step in to supervise the constructive job which monopolists say and may think they are doing in rationalizing production, economizing resources and stabilizing the economy. The main trouble with their activities is not that they attempt these things but that they stabilize on a level of prices higher than the technical arts would permit, and on a level of output lower than our productive resources, including the labor supply, would justify.

The government need not do this job in a bureaucratic or dictatorial fashion. But it is peculiarly fitted to mobilize the common interest of business, labor, agriculture and consumers in full production and avoidance of depression. It can do this by calling together representatives of all the main interest groups, to supervise the preparation of a production program based on the needs of consumers, and large enough to utilize our full capacity. This program should be continually revised, as demands change in the retail markets and as productivity increases. The performance of industry in meeting it should be checked, and measures taken wherever necessary to increase production.

Such a program would be a guide for many of the activities outlined above. It would, for instance, provide standards for the examination of the practices of federally incorporated companies, and it would indicate how much governmental competition was desirable, and in what lines. It would also be the criterion of a compensatory fiscal policy on the part of the government, or for a public-works program to stabilize the construction industry.

An International Program

In spite of any such measures which may be taken within individual nations, international cartels may persist and continue to exploit consumers, even within countries which have themselves overcome the evils of monopoly, if these countries are not large producers of the products controlled by the cartels. Thus, the United States is dependent on foreign sources for tin, and could not merely by domestic legislation protect itself against the tin cartel. Other nations are much less independent economically than we.

1. *A World Trade Board.*—There have been numerous suggestions for an international agency to help stabilize world trade on an active basis and guarantee "freedom of access to raw materials." If this is to mean anything, it must at least mean the curbing of international monopolies.

If it is difficult to abolish monopoly by national legislation, it will be still more difficult to do so on an international scale, where there is no government having sovereign powers, and there is not likely to be any for many years. By international agreement, however, we can create an agency which can investigate and give publicity to any combination which fixes prices or limits output, and by the same means we can in many cases provide representation for the individual consumers, or for consuming nations, in such decisions. An agreement of this nature now exists between the United States and numerous Latin American countries in the case of coffee. If the world board should be convinced that no limitation was desirable in the case of any particular product, or that the consumers were underrepresented or flouted in its decisions, it could do much to stimulate new sources of supply. At any rate, it would not leave cartel transactions in the no-man's land which they now occupy, free to carry on in almost complete privacy and immunity.

2. *A World Investment Agency.*—Basic to everything else, both domestically and internationally, is to stimulate an expanding economy by a continuous and large flow of savings into new productive equipment. Periods of contraction or stagnation have been largely responsible for the low demand and the falling prices which have led to many schemes of restriction. If business, labor and agriculture could feel assured of continually growing sales and employment, the fear of insecurity which is one major motive for the adoption of monopolistic practices in all three realms would largely disappear.

An international investment bank or world reconstruction finance corporation has been proposed, not to replace private investment, but to supplement and stimulate it by placing the public credit behind large developmental projects which are unsuitable to private capital and are not likely to attract it. This is not the place to discuss the project in detail, but there is immense opportunity for such an agency in the backward and colonial regions of the world, and if vigorously and skillfully managed, it might be the cornerstone of all the aims of the United Nations.

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